

1961

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IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1960 No. 2)

FOR THE ALTERATION OF THE
BRITISH TRANSPORT COMMISSION (PASSENGER)
CHARGES SCHEME, 1959

AND

IN THE MATTER OF THE APPLICATION OF THE
BRITISH TRANSPORT COMMISSION (1960 No. 5)

FOR THE ALTERATION OF THE
BRITISH TRANSPORT COMMISSION (PASSENGER)
CHARGES SCHEME, 1959

MONDAY, 6th MARCH, 1961

THIRTEENTH DAY



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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

MONDAY, 6th MARCH, 1961

PRESENT:

SIR HUBERT HULL, C.B.E. (President)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. T. R. CRAWFORD (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. R. W. GOFF, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Middlesex County Council and the Surrey County Council.

Mr. LEON MACLAREN (instructed by Mr. G. E. Smith) appeared on behalf of the County Borough Councils of West Ham, East Ham and Croydon, and the Borough Councils of Walthamstow and Leyton.

Mr. S. H. NOAKES (instructed by Mr. W. O. Dodd) appeared on behalf of the County Borough Councils of Brighton, Eastbourne and Hastings.

Mr. G. B. H. CURRIE, M.P. (instructed by Mr. W. P. W. Elwell) appeared on behalf of the Folkestone and Kent Coast Railway Travellers' Association and the North East Kent Railway Travellers' Association.

Mr. E. R. FARR, Town Clerk, appeared on behalf of Barking Borough Council and the South Essex Traffic Advisory Committee.

Mr. PHILIP M. VINE, Deputy Town Clerk, appeared on behalf of the County Borough Council of Southend-on-Sea.

Mr. C. W. WINNICOTT, represented the Bishop's Stortford Season Ticket Holders' Association.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. CHARLES SARSON, represented the Chelmsford Railway Users Association.

(Mr. MacLaren): May it please you, Sir; when we adjourned on Friday I was seeking to refer to the general situation of the Commission in relation to the present Application, and I think I had referred to the authoritative view of the Government on the unusual measures that need to be taken in relation to British Railways, and as we know, unusual measures have already been taken in the special provision made for funding the modernisation and the deficits of British Railways as distinct from the other undertakings.

On the other side, so far as that is concerned, the other undertakings other than British Railways, have been making a creditable contribution to the income of the Commission as a whole. As you remember, the figure given by Mr. Winchester was a £10m. surplus for the year 1959. I asked him a little further on that, and I would like to refer to it, on the Fourth Day at page 66, Q. 214: "You were giving figures for the fall-out of the year 1960 for the British Transport Commission as a whole; are you able to give me a figure for the expected income for the year 1960 for other activities as a whole — the net income for other activities? (A) It would not be very different from what it was in 1959. (Q) Would it be about £10m.? (A) Yes. I have not the precise figure with me, but it is of that order within a million or so." I hope to show presently that in the year 1960 the contribution from London Transport was up on 1959, and that "million or so" may mean a slight increase on the surplus.

But keeping to the general picture, I am referring to this because it shows that British Railways aside, the other activities are in a reasonably healthy condition and are providing altogether a useful surplus. So far as that surplus is contributed by the similar services, that is to say road passenger services owned by the Commission, it is being provided at the fares which I discussed on Friday, fares that are in the region of early-morning fares. So far as it is being contributed by the British Road Services it is being contributed at rates which are fixed by a highly competitive industry. I mention that in passing because there is a useful contribution from that source. So far as this Inquiry is concerned, the road services outside London are contributing this surplus in those circumstances, and it does seem to me to be relevant in considering the contribution to the British Transport Commission from the

London Transport Executive to bear in mind the cost of it to the passengers in relation to the cost of the surplus from other services outside the London Area.

It may also be relevant in this general consideration just to mention that the coaching services' contribution, though small, has risen, whereas the freight services' contribution has fallen. That becomes plain from questions on the same page to which I have just referred, a little lower down, when I asked in Q.216: "You were good enough to give the contribution to joint expenses by coaching services and freight services in 1958; have you a figure for the contribution by freight services in 1959?" and at Q.217 the witness said: "I said in about the fourth paragraph that it would be slightly down on the £60m., and I do not think I can improve on that; the figures are not precise within £20m. or £3m. (Mr. MacLaren): No, I quite follow. What about 1960? (A) That would be still lower, but again how much lower I am not sure..." Then he says he is not anxious to give precise figures.

So the picture is created here that while the contribution from the coaching services to joint expenses has risen from £20m. in 1958 to something between £25m. and £30m. in 1959 and something between £25m. and £30m. in 1960, the contribution from the freight services has been declining.

If I may now turn to the situation of London Transport, I have made myself a sum of the figures for 1960, 1961 and the future year on the basis of the charges that have been authorised during that period. For 1960, from AE3, there is a figure of gross receipts of £82m., which has to be increased by £1.7m. for the effect of fares increases in that year. That addition of fares increases of £1.7m. gives a gross receipt of £83.7m. The working expenses are given as £77.2m., and that gives a net traffic receipt of £6.5m. adding net receipts from commercial advertising, giving a total net receipt of £8m.

Just pausing there, that is a creditable out-turn; it is very nearly every tenth penny on the gross revenue. On any showing that provides a surplus, and on Mr. Hill's figure of Central Charges it provides a surplus of £2½m. But leaving aside for a moment the question of Central Charges, there is a contribution to the funds of the British Transport Commission in 1960 of £8m., which is plainly a good figure.

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The same calculation in 1961 gives, by AE 3, gross receipts of £82.2m., with a fares increase this time of £5.1m., giving £87.3m. gross receipts. The working expenses for 1961 are £0.3m. less than those shown for the future year, that is £81.7m., giving a net traffic receipt of £5.6m., net receipts from other sources £1.6m., and a contribution to the Commission of £7.2m. on those figures.

(Mr. Poole): That is for the future year, not 1961?

(Mr. MacLaren): That is 1961.

(President): Where do you get the working expenses figure?

(Mr. MacLaren): The working expenses for 1961 is £81.7m.

(President): Where do you get it?

(Mr. MacLaren): Mr. Evershed gave it. In the future year the addition for the present increases in fares is £5.2m., and that gives a contribution to the Commission of £7m. after taking the working expenses at £82m. as shown in the Exhibit.

If I may pause for a moment at 1961, where the contribution is here shown as £7.2m. to the funds of the Commission. First of all, I should like to just restate — because my learned friend Mr. Goff went into it very fully — that it does seem that the London Transport Executive are in a position — and I am quite certain from the way Mr. Harbour answered my questions that he is fully alive to the need and possibility of this development — to obtain a likely further contribution from the careful operation of road schedules so that they fit the number of staff available, including all the additional time worked, with a quite substantial addition to receipts. I appreciate it takes a month or two to get the schedules operating, but some allowance has to be made for that, as it seems to me, in 1961. Mr. Harbour thought that it would not be as much as £1m., and there are certain offsets, I expect, to put against that; but I should have thought it could be safely taken as a reasonable prospect of an additional half-million pounds.

It is rather important in this respect, as it seems to me, to see that the expenditure necessary to earn that additional revenue is, in fact, already being spent. If I could refer to the AE 2 and AE 4 tables at page 43, line 11: In the AE 2 table line 11 is comparing the 1959 Budget with the 1959 actual. There was some allowance in the budget, though I do not think a precise figure was put upon it at the last Inquiry; I may be wrong, but I do not know of one. However, there was some allowance in the budget for rest-day and overtime working, but whatever that allowance was it was increased in practice by £0.6m. — that is apart, of course, from the effect of any wage increases. Table AE 4 in the same line, comparing the year 1959 with the year 1960, shows a further increase in that sum, irrespective of wage increases, of £0.4m. Those two together come to about £1m., and one would expect that the staff must have been working considerable overtime to earn that sum of money.

When we pass to the future year, no allowance has been made against that expense for any economy at all. Those I represent are making no complaint about that whatever, for it is fully appreciated that the maintenance of regular schedules is of high importance, and if the staff are willing to work in this manner certainly it is right that they should be paid. But the point I wish to make is that the payment is provided for. The careful scheduling of the services to make full use of this willingness of the staff to work this considerable overtime so as to avoid the running down of services by irregularity and being not dependable can be done without any additional expenditure of any moment at that line 11. If it could be done by a saving; but assuming that that does not happen and that the schedules are maintained by this high level of rest-day and overtime working, on the costs side it is provided for, and it is for that reason that I claim that any additional income from good operation of the services in the circumstances in which the Transport Executive find themselves is a net gain in the overall income and expenditure picture. In that figure there is a considerable addition to the possibilities of income in the year 1961, and if the contribution which the figures in AE 3 show when allowance is made for

increased fares of £7.2m. is increased by only half a million pounds, there is a contribution to the funds of the Commission of £7.7m. in the year 1961 going this far.

The next matter which I would ask the Tribunal to take into account in assessing the income and expenditure of the Transport Executive is that in the budget for 1961, and therefore for the future year, no allowance has been made for increased revenue or reduced working expenses from the large capital expenditure. That appears from Mr. Evershed's evidence on the Fifth Day at page 86, where he is being cross-examined by my learned friend Mr. Goff. If I could refer to Q.692 on page 86: "In the future year did you take into account increased revenue from this capital expenditure? (A) No. (Q) You expect to get it, do you not? (A) No. (Q) Why not? (A) The only item of this capital expenditure which is expected to produce additional revenue is that from the four-tracking and electrification of the Metropolitan Line and the re-equipment of that line with new railway rolling-stock, and even that increase in revenue is not expected to fructify for some years. (Q) When you say 'some years', can you give me an idea what that means — two years, three years, or 10 years? (A) I think two or three years." So there is no allowance at all for any increased income from this very substantial capital expenditure in the year 1961.

Q.701, Mr. Poole asked the witness: "Was a small increase in revenue not expected by Mr. James as a result of the new coaches on the Piccadilly Line? (A) I think not, Sir. I think we expect to get some economies in working expenses from the new railway rolling-stock, we also expect to be able to alleviate the present discomfort of the passengers; but I do not think we have ever held out that we would carry any more traffic as a result of the re-equipment of those two Tube lines."

If I can pass on to Q.705: "On the other side of the picture have you made an allowance in the budget for 1961 for reduced expenditure resulting from this capital expenditure — reducing working expenses? (A) No, I do not think we have. Certainly we have made no specific allowance. We have not, shall I say, reduced the budget of expenditure in 1961 because we shall be getting this new equipment into operation. (Q) Have you reduced the budget for a future year on that account? (A) No."

Then if I may pass on to Q.711, where Mr. Evershed gives his explanations for this situation: "Balancing one with another, do you expect that you will get a net reduction in annual expenses by this capital expenditure? (A) Eventually I think we shall get a net reduction in working expenses as a result of the re-equipment. (Q) How soon do you think it will be before you feel that benefit? (A) I am afraid it is not quite as simple as that. We shall feel the additional expenses, that is to say the additional cost of current, immediately the stock goes into service. The economies that we shall make are mainly in reduced overhaul expenses which will probably not accrue for five or six years."

That is the evidence, or the essential part of it, from which it emerges quite plainly that, in respect of this considerable capital expenditure, the Transport Executive have budgeted neither for additional income, nor for any savings in expenses in the 1961 Budget, and, therefore, for the future year. One does expect, when services are improved, that there will be some response from the public, ordinarily there is; and one also expects some saving on the unusual maintenance which is necessary with old stock which is running down and out of date. There is none either way; there is no gain, there is no saving allowed for, and it seems to me there must be something there on that account.

I refer to that evidence particularly, because it does seem to me — and I am not complaining — that in the figures that are put before us there is a slight pessimism, if I may say so, that benefits are not going to accrue for some time to the Executive as a result of the renewal of their stock and the improvement of their services, and it seems to me also that it should be possible for some return to appear in the year 1961 from these sources. I cannot put any kind of figure on that. All I can say is there should be something. On any showing, the year 1961 is going to produce a surplus. The contributions shown by AE 3 to the funds of the Commission are £7.2m. If Mr. Hill's figure of Central Charges is taken at £6m., there is a surplus of £1.2m., and if the Commissions figure of £6.5m. is taken,

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there is a surplus of £0.7m. If half a million pounds is a reasonable figure to add for the proper scheduling of the services, then on one showing the surplus becomes £1.7m. and on the other showing £1.2m., and it seems to me that there could well be some further addition for the other factors to which I have referred.

There is this much to be said about a surplus over and above the necessary allocation for the service of capital: If I may put it in this way, proper scheduling of services and taking full advantage of capital expenditure is a means by which a surplus may, indeed, be earned. None of the Objectors would be anything but joyful, I am sure, if surpluses were gained by the Transport Executive for reasons other than increases in fares, and this must, indeed, be possible. So, to put it briefly, it seems to me that, having regard to the very heavy increases in fares that have been made rapidly one after another, any further increase could be safely postponed, on the figures you have before you, until the end of 1961.

When we move forward to the future year there is an air of unreality about the figures inevitably. It is simply the 1961 Budget carried forward, and therefore the gross receipts figure remains the same as the budget for 1961, £82.2m. The future year should carry the full benefit of the extension of the electrification to the Amersham line, and it really is rather astonishing to find that there is no allowance whatever made for increased receipts from this very considerable improvement. I have no doubt the Tribunal are familiar with the line as it has been operated beyond Rickmansworth, and to say that it is antique is to put it mildly. The modernisation of that line, if it is to follow the pattern of the modernisation of other lines round the London Area, one would expect to bring immediate results. I feel that the Objectors can pray in aid the experience of British Railways in modernising their lines in recent years, particularly out of Liverpool Street, and the quite startling increase in traffic which resulted from it, which is just exactly what one would expect.

On the other side of the picture it is also surprising that there is no allowance in the future year, when one can assume a full year's working of this extension, for a saving in working costs. The London Transport Executive say that there is no figure to be put on either, so we cannot attempt to put any figure there; but it does seem to me to be quite surprising that there is no allowance in a future year for this substantial and costly improvement which will be in full operation in 1961.

However that may be, Sir, the contribution to the funds of the Commission on the showing of that table will be £7.0m in the future year.

What view the Tribunal will take of Central Charges for this future year I do not know; one feels that the income figure and the working expenses figure are rather unreal, and no one knows what the situation will be; but the figure of £7.0m. is more than Mr. Hill recommends to the Tribunal for Central Charges—he recommends £5.5m.—and it is the same as the figure recommended by the Commission, namely £7.0m. It does seem to me that in making provision ahead the full weight of the £2.0m. increase proposed by the Commission is more than is really required.

It is very difficult to look firmly beyond 1961, and it is no doubt for that reason that the figures for the future year bear such a close resemblance to the actual figure for 1961—the increase in the working expenses between the two is only £0.3m.—and I think the highest I could put it is this, that it would seem to the Objectors that an allowance of something in the order of half the increase asked for will cover the contingencies which may arise in 1961 and the early part of 1962. If this is really what the Tribunal is catering for, it would be rather idle in our submission to look further forward. So that an increase which may come into force at the end of 1961 of the order of about £1.0m. should be sufficient in the circumstances where the year 1961 should on any view achieve a contribution to the British Transport Commission of between £7.7m. and £8.0m.

For those reasons, Sir, it does seem to me and to those I represent that any further increase in fares should be delayed until the end of the year, and that to deal with the situation as it then is, a further increase of £1.0m. would be required.

(President): Of course, Mr. MacLaren, I suppose one must do one's best to smother one's recollection of observations of that kind which have been made on each of the occasions on which the Charges Scheme has been considered. On each occasion these hopeful prognostications have been falsified by events, but, as I say, I suppose one ought to put the awkward consideration as far in the back of one's mind as one can.

(Mr. MacLaren): Is this not the difficulty in regard to that period, Sir? That it is very hard to see what shape increases in costs will take, and I have no doubt that the Commission themselves would not care to venture to put forward any kind of figure. That is one of the big difficulties, but there is, I submit, one big difference between this Inquiry and those which have preceded it, for which I think everyone is grateful; that is that one of the doubtful factors in the past, and one which led to different points of view, was the falling trends of traffic which cast its shadow over London. But on this occasion the Commission themselves are saying quite certainly, as I understand it—this is the general sense of it—that the traffic are, as Mr. Harbour called them, buoyant, but at any rate they are holding their own and the decline is not there.

(Mr. Poole): You are not talking about the railways now?

(Mr. MacLaren): No, Sir; I am talking about London Transport at the moment. As a matter of fact, it is a fair inference from the evidence, if anything has been said about it very clearly, the London Transport Railways are doing rather well, and that they are picking up; I think that is a fair inference from what has been said, and it seems to me that we have this factor, that at present, in 1961, the traffic are not declining.

On the question of these substantial increases in costs to which the Commission has been annually subjected and which is the general feature of these days, that seems to me to be something that has to be dealt with when it comes. One does not know its size; it has varied considerably from time to time, and I do submit to the Tribunal that one has in a sense to put away from one's mind this constant doubt as to the effect of working expenses on a general increase in the level of earnings. Certainly the recent increases have been quite substantial, so it may well be that further increases will not be all that large; but no one can say what is going to happen and for that reason I think it is probably best to attempt to put those considerations at the back of one's mind and deal with them when they become actual.

(President): Another way of putting that observation I have just made is to look at Mr. Hill's table, taking the most favourable view, and to observe in how many years out of its life, on Mr. Hill's showing, the London Transport Executive has been living on moneys provided by other people.

(Mr. MacLaren): You mean that it has been short of its contribution, Sir?

(President): Yes, on any view—or rather, on Mr. Hill's view, which we take to be a minimum view; at any rate it is a minimum view before us.

(Mr. MacLaren): Yes, that is so, but the present picture is not as gloomy as that.

(President): I do not think I have ever seen worked out by anybody—although I have done it to a certain extent myself—how much of what we talk about here as being London passengers' receipts are really attributable, not to London passengers, but to the adventitious revenue from advertising and letting of kiosks and what not. For some considerable time I have been quite certain that it is only the extraneous revenue which has enabled London Transport to show even a slightly favourable result.

(Mr. MacLaren): That may be, Sir, but I can at least plead on behalf of the London passengers, that if they were not there, the kiosks would not be there either, and it would not be worth advertising.

(President): That is so, but it is not the same thing as talking about the fares producing the money. I do not think you have done it, but it is often forgotten outside the austere surroundings of a Public Inquiry that a large

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proportion of the net receipts of the London Transport Executive does come from the advertising facilities.

(Mr. MacLaren): Yes, that is so.

Finally, Sir, while looking at this part of it, I think it is relevant to bear in mind the effect of such increases. The Tribunal has the tables before them, and I will not dwell on this unduly; but, for example, the Borough of Walthamstow, for reasons of difficulty of access to building land, has had to place residents at Billericay in its housing estates there, which are still developing, and I am told that it is found in practice that the people going there, although some of them have found work locally, most of them still have to return to Walthamstow or thereabouts.

(President): Yes; that is the great debate, is it not about housing—whether a New Town near the Old Town is really doing much good as far as a large number of purposes are concerned.

(Mr. MacLaren): Yes, Sir, but in the case of the County Council—

(President): Yes; in the case of the County Council, of course, it is endeavouring to meet that by out-building at a much greater distance so as to constitute a really new urban centre.

(Mr. MacLaren): Yes, it is.

(President): But you are now speaking for the County Boroughs, not for the County Council.

(Mr. MacLaren): Yes, Sir; they work in a narrower confine.

I thought the Tribunal might be interested to hear the effect of the present increases which have taken effect; first of all there is the effect on the travel from Billericay to Stratford, which is an example of a characteristic journey. The early morning return was 4s. 6d.; that was under the 1959 Schedule. On the first subsequent increase it went to 5s. 1d., and on the second, this year, it went to 5s. 9d.

(President): These are early morning returns?

(Mr. MacLaren): Yes, Sir.

(President): After the 1st January they were in fact not fixed.

(Mr. MacLaren): No, Sir, it is not a statutory fare.

(President): It is still running, is it?

(Mr. MacLaren): I have been given the fare from Billericay to Stratford, so I think it is; it has gone up, as I say, from 4s. 6d. to 5s. 9d. per day.

I do not seem to have been given the day return, but the weekly season has gone up from £1 7s. 3d., I think, to £1 10s. 3d.

(President): You mean since 1959?

(Mr. MacLaren): Yes, Sir, and a further increase is proposed.

Similarly for East Ham; East Ham has estates at Brentwood, Stanford-le-Hope and Rainham, and again the fares, for example, from Brentwood to Stratford have risen as follows: The early morning return was 3s. 7d.; that has gone up to 4s. 0d. and now to 4s. 6d. The day return was 5s. 0d. and it has gone up to 5s. 4d. The monthly season was £3 18s. 3d.; the first increase took it to £4 2s. 6d. and the second to £4 10s. 0d.

I thought if I just gave those examples, Sir, although I have a whole list of them, that gives you the—

(President): Is your list increasingly legible, Mr. MacLaren?

(Mr. MacLaren): Yes, it is increasingly legible. The increases which have been—

(President): Then would you like to hand your list in and it can be checked by the Commission.

(Mr. MacLaren): It has in fact been checked, Sir.

(President): Then why not put it in? We need not have it printed, but we can keep it by us.

(Mr. MacLaren): If you please, Sir; I will see that it is handed in.

That list of fares does give an indication of the effect on people such as I have referred to, those living in these housing estates; it gives an indication of the effect of the increases that are now in operation, and I feel sure that if it is practicable for a further increase to be postponed, those increases which are already being paid are a strong reason for it. Those whom I represent would not have been objecting, so I am instructed, if this Inquiry had simply been to confirm the increases that have already been made, because it is fully appreciated by the Councils whom I represent that increases in fares were necessary and proper, having regard to the heavy increases in costs which the Commission have had to meet. They have in fact been brought here by the Application for the further increase immediately following on the other two. It does seem to me that on the turnout of the figures they are justified in objecting to a further increase at this stage.

I do not wish to go into the figures as to Central Charges—they have been very closely examined—but I should like, if I may, to say one thing which rests upon what I said earlier. It is that taking the situation of the other activities of the Commission as a whole, they are together doing well, and if the London Transport Executive, whose customers are paying by far the higher charges of the passenger services in that bracket—if it is contributing a surplus; that is to say, it is not eating into it but it is helping out—it does seem to me that it is doing its share.

There is some sense, I submit, in taking things together and balancing them together; on the other side to attempt to load the activities with the—I do not know how to describe them—absurdly mounting costs of British Railways which everyone recognises now that they cannot and never will be able to carry, does not seem fitting. The very fact that the Government are contemplating cutting the capital liability of the Commission—I think it is by three-quarters—shows, in my submission, that it would be quite unreal to load the other activities of London Transport with the additional costs which are being incurred, in an attempt to rescue British Railways from their serious condition.

For that reason it does seem to me, Sir, that the contribution to Central Charges should be based on the general indebtedness which the Commission undertook for the purpose of acquiring all these undertakings and that it would not be right on any showing to add to that the additional capital expenditure which has been incurred on behalf of British Railways and which plainly is not in fact going to be carried by British Railways; and if the Tribunal would agree—and I think everyone both for the Commission and for the Objectors take this view—that the additional expenses incurred by British Railways of a capital nature should not be brought into account, if that is right, then it does seem to me that the proper way of calculating Central Charges is in relation to the capital invested. I think Mr. Evershed did agree—and your attention has been drawn to it—that Mr. Hill's calculation does exactly that, and I find it very difficult to comprehend what other test would be appropriate to the calculation of a charge which is almost entirely an interest charge.

(President): I find it very hard to comprehend why one should exclude from one's calculations part of the money which has been sunk in British Railways and not the whole, which is what Mr. Hill's calculation does.

(Mr. MacLaren): I think it is from the nature of the operation really. The initial concept of the Act of 1947 was, of course, a single great monopoly of public transport; I think that is a fair inference from the way the directions to the Commission were drafted, that the concept was that all the activities should be bracketed together, and taken as a whole they should meet their expenses from one year to the other; that was considered to be the way to run it.

In fact, Sir, that concept did not survive very long, but the Central Charges did arise from that view—everything being pooled together—and on any view those

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charges, pooled in that way, have to be apportioned; it is almost impossible to deal with them in any other way. That is the first situation.

When it comes to a position where, quite definitely ascertained sums are being expended for the benefit of a particular activity, there is no need for those to be apportioned in any way; they should be excluded, of course, on both sides of the account and not taken into account for the apportionment and not taken into account in calculating the divisor.

(President): Of course, the 1947 Act did not explicitly contemplate one Charges Scheme for the London Transport Executive and a different Charges Scheme for British Railways.

(Mr. MacLaren): No, it did not, Sir; it was written in such large terms that one felt it was leaving the whole matter to this Tribunal.

(President): My recollection is that some action was forced upon the Commission, not merely because the 1947 Act very optimistically imposed an obligation to get all the Charges Schemes which under the 1947 Act were to affect nearly every activity of the Commission through in. I think it was, two years or perhaps three. Of course, there was special need for some action in relation to London.

(Mr. Fay): I am told it was two years, Sir.

(President): Yes, The Tribunal have only just, in these last nine months, dealt with the third task of the Charges Scheme—the third in the category much attenuated by the Act of 1953. But in a way it is an historical accident that this theory that London must be dealt with separately has become universally accepted.

(Mr. MacLaren): I think it did start in London, but no doubt the Commission's attention was turned to London because of the convenient entity of the London Transport Executive.

(President): There was the big conversion of tramways; it is difficult to think of it now, but it was one of the main topics discussed in 1951, and what should be done to provide for the differences which had been observed in the management of the tramway system. However, this is old history.

(Mr. MacLaren): Yes, Sir.

Unless the Tribunal wishes me to deal with anything specifically, I do not think there is anything further I can say on the subject of London Transport.

On the question of London Lines, I should like to refer to Mr. Winchester's I think now famous statement on income and expenses being £1.0m. out either way, and I should like to refer to the passage because of the way in which he came to say it all, which to me appears to be interesting; it is on Day 4 at page 60.

(President): I should have said it at some stage, Mr. MacLaren, even if Mr. Winchester had not.

(Mr. MacLaren): If you please, Sir.

My learned friend was cross-examining Mr. Winchester on the likely result of development in the London area; it starts at Question 37, where Mr. Winchester is asked: "Do you think sufficient has been allowed for that trend to increase revenue by the development round London?" (A) Mr. Harbour has explained the other factors at work. (Q) What other factors do you mean? (A) The general trend of trade and employment in industry. (Q) He said they were up in 1960 at the time of the budgeting in November, but he thought that there were some signs of a drop in December? (A) Yes. (Q) Do you think that might well be a merely temporary phase? (A) Yes. (Q) Subject to that, the indication is that the yield should go up without any increase, because of development? (A) That has been the trend, yes. (Q) Do you think that has been sufficiently allowed for in considering whether you should put forward proposals for a third increase in so short a time? (A) May I remind you of what I said in putting these figures forward in the first instance? It was that these are only a very rough check on the fares, which were settled first in relation to London Transport and I said that if, for example, you thought my estimates

were £1.0m. out either in receipts or expenses, I would not be in the least disturbed."

(President): Or both, I suppose Mr. Winchester meant.

(Mr. MacLaren): Yes, Sir.

The only reason I wished to refer to that passage again was because of the context in which it arose; it was in the context of the question of the development of the areas round London served by London Lines and the amount allowed for trend by Mr. Harbour, which, if I remember the figure rightly, is £0.3m. It is of that figure that Mr. Winchester said: "Well, it could be £1.0m. out."

On the other side, at page 63, there is a discussion on expenses; it starts at Question 133. Mr. Winchester is being asked: "Economics, of course, would affect working expenses?" (A) Yes. (Q) And those you have not taken into account? (A) No. (Q) So the figure you give now for working expenses is likely to be too high, is it? (A) Yes. (Q) You say 'Yes'? (A) Yes. I did explain this in my evidence before, I do not think it is anything new. (Q) I will not waste time by inquiring about it. Are you sure you said in your evidence that your figure, not taking economics into account, was too high? (A) Yes. I think I said it was 'probably' too high. Perhaps I can be more specific. If you look at the large question at the bottom of the second column on page 18. (Q) You say you have not taken account of modernisation of certain services. 'I found that too great a problem at the time of change to do it in any precise way. So far as the fruits of modernisation are increased receipts, these are taken account of in the estimate of traffic receipts', and so on. May I pause there to say that the allowance for that is £0.3m. by Mr. Harbour in respect of the upward development.

The questions goes on: "In so far as modernisation may affect the working expenses, it is not directly reflected in the figures I have given. However, I think that in the Modernisation Schemes which particularly affect the London Area, there probably will be some reduction in working expenses despite the increase in volume of services, but I do not think the reduction of working expenses will be got, because any improvement in the costs per mile, or what have you of expenses, will be offset by the greater volume of service. That is part of the purpose of modernisation, to give a better service and to get better receipts. Also improvements in the economies of the service will be offset in these estimates I have been making, because the depreciation of the old rolling-stock on historic cost will be replaced by depreciation made on current replacement provision, which is three times as high. So that if I take into account the special two factors, I would not expect the reduction in working expenses to be spectacular, to be of any great importance"—that is the end of the quotation, and the question goes on: "Are you agreeing that if you worked them out anew and took all the factors into account, the expenses would be less than the figure you have given?" (A) Yes. (Q) Appreciably less? (A) Some hundreds of thousands of pounds. (Q) Half a million pounds? (A) I would think not; I would think it unlikely that it would be as much as that. (Q) It might approach that figure? (A) It might approach that figure. But I did go on to point out that any reduction in working expenses would be more than offset by the greater interest we would have to pay. May I just correct myself about the hundreds of thousands of pounds, perhaps as much as half a million pounds. I have been looking a little more at these figures since I gave evidence, and the figures I have got in mind are the improvements in working expenses, taking depreciation at common price levels."

(President): I am ashamed to say that my transcript has not yet been corrected, but the word "common" there must read "current", must it not?

(Mr. MacLaren): Yes, of course that is so.

The answer goes on: "If you adjust to put the old figures on historic cost depreciation and the current figures on current prices—which is the appropriate way of looking at it in relation to WW 11—I feel pretty confident that it would not be as much as half a million pounds. (Q) I want to get this clear. Allowing all factors every way, that is to say your saving by economies and modernisation

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and your increased expenses by being able to give a better service and the increased interest on capital, you agree that the result is likely to show a lower net figure for expenses than you allow? (A) No. If you bring depreciation into account—which is not brought into account at the expenses level, or brought into account at all in WW 11—and if you bring interest into account it will be the other way, the total costs will be greater."

First of all, Sir, it is quite clear that Mr. Winchester expects increased receipts and therefore the allowance of £0.3m. made by Mr. Harbour for all improvement all over the London area due to development does not seem very relevant.

The second factor is that leaving interest charges out of account for the moment, there will be a saving in expenses. Mr. Winchester has to bring interest into account in order to raise his working expenses, but this interest item is the very kind of item that affects Central Charges and is not appropriately placed in working expenses.

So what would appear to emerge from this evidence, Sir, is first of all that the forward estimates of the effect of development and modernisation on the London area receipts could well be too low by a quite substantial sum, whereas on the expenses side no allowance at all, however small it may be, is made for the reduction in working expenses. When that kind of difference is put against the calculated revenues of London Lines, it does suggest that any reduction in the fares charged on London Lines by way of assimilation with London Transport is more than amply covered by those contingencies which were dealt with by Mr. Winchester.

Finally, Sir, those whom I represent—

(President): I think the principle, if it be a principle, and practice if it be merely a practice, of assimilation is affirmed by everyone; the question is, how far it is to be carried, is it not?

(Mr. MacLaren): Yes, it is; I would not attempt to discuss with you the transport merits or otherwise of assimilation. The Transport Commission take the view that assimilation is important in the London area, and one can say from one's own experience, of course, that it is important. One gathers that with regard to the fares on London Lines, the main consideration is to keep the fares on either side in line one with the other; but how far that is necessary is another matter, and I do not really feel that I am in a position to discuss the limits of that.

(President): It is a dangerous question, because a possible view is that it ought, so far as it is made a matter of compulsion, except so far as the matter of day returns is concerned, to be left entirely to the Commission.

(Mr. MacLaren): As to whether there is assimilation or not, Sir?

(President): As to whether there should be any assimilation other than that measure of assimilation which is made compulsory by there being a compulsory day return.

(Mr. MacLaren): But there is the season ticket rate, which is the other important ticket—

(President): Yes; there you get to the sensitive point of the whole topic, do you not?

(Mr. MacLaren): Yes, Sir, that is the sensitive point.

On this count really I should like to fall back on the point we raised right at the beginning. We are dealing with the London area, and in some respects outside, but certainly within what is virtually a transport monopoly; and I do suggest that in those circumstances it is certainly the view that the Commission has presented in their Application that the Tribunal will fix the fares which are in fact to be charged, subject to any concessions such as off-peak concessions or otherwise which the Commission thinks will improve its net position. But if that be right, then a similar season ticket scale, or a season ticket scale which is going to be a reality, is an important matter; how far it is necessary for Tube Lines to have the same scale as the Main Lines, I do not know, but the important thing so far as the Objectors are concerned is that the season ticket scale should be fixed at that level which is to be charged in the London area.

I do not think I can be of any further assistance to you, Sir, on the subject of London Lines.

(Mr. Goff): Before my learned friend Mr. Fay addresses you, Sir, may I draw attention to what I think is obviously a slip of the tongue on the part of Mr. Hill or a misrecording; I have mentioned it to Mr. Fay, who agrees, and I think for the purposes of the record it should be corrected.

It is page 200, Question 3132, when Mr. Hill was dealing with his method of calculating interest for the purposes of determining whether there was a surplus or a deficit for the year—Ninth Day, page 200.

It is the second half of the question; you will see: "The net revenue is £7.52m.; you take off the whole of the £0.031m." That latter figure should be: "£0.31m.", Sir, as appears from Mr. Hill's tables, and from what follows immediately afterwards: "so that is £7.21m. to begin with. The mean of that figure for the year is £3.06m. The interest on £3.71m"—that is the figure which is taken from his tables. So it should be: "The interest on £3.71m—half of that, or as near as makes no matter half of it—has run for nearly a year, and the other half has not run at all". That obviously ought to be "for nearly half a year", that is consistent with what Mr. Hill was saying, and also with what he goes on to say: "it is not taken until the end of the year. So you take a quarter of that figure, £0.093m."—obviously you would not take a quarter if half of it had run for a whole year. So the words "nearly a year" should be "nearly half a year", and I would ask the Tribunal to correct that. I am told also that the "£0.093m." should be "£0.93m."

(Mr. Fay): May it please you, Sir; I think we really have now reached the last lap, and may I commence what I hope will be a sprint over that last lap, starting with the self-contained subject of season tickets on British Railways outside London.

This matter has to be viewed against the background that on the other controlled type of ticket on British Railways there is at present headroom; there is a headroom of a halfpenny, or one-fifth of the present fare of 2½d., whereas on season tickets there is no headroom.

As I have said before, Sir, this is a headroom proposal; it is not for immediate use, but for availability if the occasion should arise.

There has been a volume of opposition to this; it has been pointed out that season ticket travel is of advantage to the railway administration, and I should like to say at once, of course, that the Managers of the Regions appreciate the benefits to the railway of the season ticket travel. It has been urged upon you that this is a case where payment is made well in advance, that the traffic is regular, and that at any rate for the duration of the ticket, which may be for a quarter or it may be up to a year, the traffic has bound itself to rail. These are points which do not need emphasis, so far as the Commission are concerned; they fully appreciate them, and I hope that no one will go away from this hearing under the impression that British Railways regard the season ticket holders as a sort of milch cow to be milked at every conceivable opportunity, or as nuisances who do not confer considerable benefits on other railway travellers by their continuous form of traffic. Of course they do, and of course that is the reason why ever since season tickets have been in force—and that goes back many, many decades—there have been such substantial concessions.

The only question which is in issue is: What ought to be the degree of that concession? They are entitled to discount for bulk buying, just as bulk buyers in other spheres of endeavour obtain a discount. The discounts in the case of the season tickets are well known; we have them before us in the shape of a graph. The position at the end of 1959 is to be found in a graph in the Annual Report for 1959 at page 65, and the position as proposed in the headroom when comparing the headroom ordinary fare, is the subject of Exhibit AD2. The discounts vary from a small discount at a small mileage to what I may, I hope not with exaggeration, call the enormous discount at the longer ranges—and of course season tickets are available up to many hundreds of miles; indeed, persons buy them for commercial reasons when they have occasion,

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for example, to travel once or twice a week between London and Manchester and on journeys of that kind. There the discounts are very large indeed, and these types of season ticket have not attracted any kind of opposition.

Nor, oddly enough, is there any vocal opposition that one has heard in this Inquiry to the types of season ticket which run over a short mileage, largely, I suppose, because of the facts which I outlined in opening that there are outside London other tickets which are more attractive to those who use short mileage journeys by train, unless they use the train more than twice a day, as indeed many people do, who go home to lunch and who therefore use their season four times a day. In those cases they get the benefit of the season ticket at the short mileages.

When one looks at the graph AD2, one sees that mileages which might be called the long-range commuter traffic, which I put at between 50 and 80 miles single journey, those season tickets are proposed to be at a discount which is very substantial indeed.

(President): We have not any figures, have we, Mr. Fay, showing the number of season ticket journeys divided by reference to their length?

(Mr. Fay): No, Sir, we have not, and I do not know whether it would be available; the kind of figures that we have been able to produce have been produced as a result of individual checks made at individual stations.

If I may return now to Exhibit AD2, one sees that the 5-day a week traveller—and it is right to take him at this distance—gets a discount under the proposal of 60 per cent. at 50 miles; if he goes as far as 80 miles, which is the distance to Folkestone or Ramsgate, he gets something in the region of 66 per cent. discount.

In our submission, Sir, those are phenomenal discounts, and it is perhaps worthy of comment that the body of objection to the season ticket rates proposed for London Lines comes from a class of user that is enjoying probably the cheapest form of transport of passengers in this country that is available to-day. Indeed, the very fair gentleman who came to represent North Kent admitted as much.

I do not know how much it costs to run a Moped, if that is the term, but one certainly could not run a motor car containing four passengers at this kind of rate, which descends to below 1d. a mile when you get up to 80 miles and take a quarterly season, and it is known that the coach fares are well above those rates.

Why is it that the objection comes from people who are in receipt of such very substantial benefits? I suppose the answer is that it is human nature; that because they have chosen to go and live so far from their work, the cost of travel in their budget bulks larger than it does with most people, and therefore any alteration in the cost of travel is going to bulk larger in their budget than it would in the case of their friends and neighbours and fellow workers. That is the reason, and it seems the only reason, why the opposition comes from these districts, because the opposition we have heard in this case comes from 50 miles, which would be Brighton, up to 80 miles, which would be Folkestone or Ramsgate; they are the people who have taken the trouble to come here and assist you with their evidence.

It is only right, therefore, to look at it and see whether what they say is something which ought to be given effect to, or whether it is merely—perhaps I had better not use that word; that was the word which got Mr. Winchester into trouble in this case—solely the fact that they are hit in the pocket more hardly because they are such enormous buyers of transport.

Let me elaborate for a few minutes on the rates which are paid by such people. We have the figures in evidence—

(President): Is it possible to lay down any rule as to the mathematical relationship between the ordinary fare—the chargeable fare—and the season ticket charge, Mr. Fay?

(Mr. Fay): Obviously one cannot lay down a constant mathematical relationship, Sir, because there is no taper in the ordinary fare, and it is right that there should be a taper in the season ticket fare. It is a taper from which these commuters from distances between 50 and 80

miles derive such a advantage. The extent of the taper has grown up as a matter of history, but it has always been conceded that the more transport one buys the greater the concession one ought to have, and that seems common sense.

(President): It is right to say that everyone is agreed that there should be a taper, but with reference to what consideration is it suggested that the taper should be less or more in favour of the season ticket traveller?

(Mr. Fay): The extent of the alteration in the taper is the subject of Exhibit AD1. When one looks at AD1 one sees that the total which was thought right by this Tribunal in 1952 has, in fact, been adhered to at 70 miles, because the degree of increase in the season ticket rates proposed, as compared with the degree of increase represented by the ordinary fare of 3d., is 72 per cent. in the case of the season and 71 per cent. in the case of the ordinary. That has been preserved, but, as has been explained to the Tribunal at succeeding inquiries, it has been thought right to decrease the bargain at the shorter mileages, because the shorter you get the more use can conveniently be made of the ticket; indeed, when you get down to one or two miles the season ticket represents something more than five or six return journeys, because you can use it to shuttle to and fro many times a day, and some people, no doubt, do. One can only say that there ought to be a progression in discount between the short mileages, where there is no discount, and the longer mileages where there is an enormous discount. The question up to what stage the discount goes, I would suggest, is best tested by what has happened in the past, and if at the longer distances the discount is much the same as was settled in 1952, there ought to be no real ground for complaint, particularly when one tests it against the cost of travel per mile and finds that that cost at the extreme distance is still under 1d. a mile. As I have said, viewed as a piece of transport, a mile's worth of transport sold, it is the cheapest which can be had in the country.

(President): That may or may not be so, but the whole point is: How cheap, and by reference to what consideration? You are saying you are not departing substantially from the ratio which was the ratio ruling after the 1952 Scheme?

(Mr. Fay): Yes.

(President): But you mean the ratio between ordinary fares and season tickets?

(Mr. Fay): Yes.

(President): There must be some ratio between the price of the season ticket and the cost of doing the same numbers of journeys at ordinary fare?

(Mr. Fay): Yes, indeed. That is the test, and it is the only practicable test, to get the discount or bonus which is being given to the buyer in large quantities.

(President): But so far all we have said is that at the short distances under the season ticket the man may very well make more than one journey a day, whereas there are some distances at which it would be physically impossible for him to do so by rail.

(Mr. Fay): Yes.

(President): One can quite see those extremes. But it is the inclination of the scale which troubles me.

(Mr. Fay): Those points must shade off into one another. You cannot draw a line at 20 miles and say this man can go back home for lunch, but the man at 21 miles cannot. It must be a graduated discount.

(President): I should think a man would be very fortunate if he could go more than 30 miles to lunch. He would have to have a very long lunch interval, longer than we take even!

(Mr. Fay): I should, perhaps, have said 10, or even five miles. But wherever the line is at which one can visualise it being convenient to go home, it must shade off, because some people have a greater urge to go home in the middle of the day, some people have a longer time to spend at home in the middle of the day, and so on.

(President): Of course, the 50-mile season ticket man thinks the lower distances ought to be more expensive

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because the train has to stop oftener. I do not quite appreciate why that should be so, but that has been put in argument.

(Mr. Fay): Is that not a question of what on the freight side are called terminal costs? You have got your costs of your arrival and departure stations in any ticket, and that must bulk larger in the shorter journeys, obviously.

(President): Yes, and, of course, starting and stopping. If you have more starts and stops you increase the locomotive charge.

(Mr. Fay): Yes, that is another factor, but there obviously is an element of terminal charges which bulk larger at the shorter mileages. Then, as you say, the cost of starting and stopping a train is a cost which can, I suppose, be costed, and the short-distance train frequently stopping is more expensive than that which runs through many miles at 60 miles an hour.

(President): One cannot suit everyone. If one were looking at the merit or expensiveness of season tickets, there is something to be said for saying that season tickets between two stations each of which were one-man stations ought to be much cheaper because the terminal costs would be so much lower, whereas going to an expensive London terminal they would not be the same.

(Mr. Fay): I see that argument, but it may be fallacious in that the one-man station may be expensive per passenger.

(President): It might be higher or lower, but it would not be the same.

(Mr. Fay): No, only by coincidence would it be the same. One has to average these matters in common fairness.

As I was saying, the commuter season ticket again shades off into the longer-range season ticket which is not used by persons for travelling between home and residence, and there must be a progression of discount. That is a progression which has been arrived at for decades as a matter of commercial judgment, and the present scale is put forward, as the previous scales have been, as an exercise of commercial judgment in all the circumstances. But when they are attacked, as they are, and attacked in the range between 50 and 80 miles, then the force of that attack, in my submission, should be judged by looking at the discount, the bargain, and by looking also at the absolute cost: How much does the transport cost? When one finds that even under the headroom proposal, which is not designed for immediate implementation, the cost comes down to 1d. a mile—

(President): The price, you mean?

(Mr. Fay): The price, the cost to the consumer, yes—then, Sir, one is dealing with something which is very cheap, and, in my submission, therefore, completely justifiable in the circumstances.

(President): Of course, the other argument is: Where you are dealing with main lines in the full sense, what is the point of irritating the season ticket traveller for a comparatively small sum when the main lines in general are wallowing in deficits.

(Mr. Fay): Well, I am not sure it is an accurate statement to say the main lines of passenger are wallowing in deficit, because it is the main lines, properly so called, that do better than the other lines. It is the intermediate and branch lines—

(President): By "main lines" I mean non-London ones.

(Mr. Fay): Oh, yes, indeed. That is an argument which takes us at once into cloud-cuckoo land. This is an argument that because there is an enormous deficit, therefore you forget any kind of commercial consideration. You throw away your desire to make the undertaking pay or to get in as much money as you properly can and say: "Oh, all is lost; we might as well make travel as cheap as possible". That is the logical point to which that argument takes you.

(President): It is said that some people who know they are bound to go bankrupt think it much better to do it on a large scale.

(Mr. Fay): Well, Sir, if it is any consolation to any section of the public, I may say at once that that view is not shared by British Railways. They have always said at these Inquiries that there is a paramount commercial necessity to gather in every penny which can properly be gathered in, and that must be so whatever the size of the deficit and whatever arrangements are made for meeting that deficit. The deficit is one which they regret as much as anybody else, and the necessity for it being met from other sources is not by any means a source of pride or satisfaction to anybody connected with railway administration. They want to put the undertaking on a proper, sound basis, and it is hoped that that basis is now well under way. Meanwhile the deficits continue, and if the charges can properly, and without unfairness, be made on season tickets outside London in consonance with the ability to increase the ordinary tickets outside London, then, in my submission, that source of revenue, like all other sources of revenue which the Railways are exploring both by increasing and by decreasing charges, ought to be tapped.

Perhaps the *reductio ad absurdum* of that kind of argument which is put against me is to be seen, if I may digress, in the London Lines position, because it is said, as I understand it, against me: Here is London Transport. You assess your season ticket rates for London Transport and find what they should be, and on the assumption that that is a fair decision, then because that brings in a surplus to London Lines, you ought to charge something less to London Lines, although London Lines is part of British Railways which is making an enormous deficit at the expense at present, and as the outlook seems to be, of the taxpayer. That is cloud-cuckoo land. It is the kind of argument which I find myself in difficulty in rebutting, because it seems to me one has only to state it to pass on from it.

(President): We have not the season ticket rates stated in terms, say, of 1928 or 1947, have we?

(Mr. Fay): No, we have not.

(President): We limit ourselves in this table to 1952?

(Mr. Fay): That is so.

(President): Does it appear anywhere in the Select Committee Report?

(Mr. Fay): Mr. Winchester shakes his head, and I think that means it is no use looking there.

(President): There is a table here. One has to distinguish between documents supplied by the Ministry and documents supplied by the Commission, but there is a table at page 364, is there not?

(Mr. Fay): Yes, indeed. That, I suppose, is an average of the different season ticket rates. One sees that the increase up to June, 1960, is up to 255. I am looking to see whether there was an Index of the cost of living in comparison with this table, and I see it is described as value of the 1938 penny. That shows that season tickets have increased, on average, since pre-war—and it is a proper comparison, as I have said in the course of this case, to go back to pre-war—by less than the cost of living. I assume that what is described as the value of the 1938 penny is a rather colloquial way of showing the Cost of Living Index in terms of 1 in 1938.

(President): I do not know what they mean by "seasons" in that table.

(Mr. Fay): This does seem to be a Commission Memorandum. Perhaps I might take instructions as to how those seasons were averaged.

(President): Yes; take them during the adjournment and tell me after the adjournment.

(Mr. Fay): I was about to make the point that the Objectors who come from these long distances still, at 80 miles, get a fare of less than 1d. a mile if they take a quarterly season. We have the figures in evidence for Folkestone, which I think also apply to Ramsgate which is the same distance. The cheap-day return is 16s. 0d., which is itself less than the single fare at the present rate of 2½d., because the cheap-day return is only 1.2d. per mile. The Red Line season ticket to-day is 8s. 5d., that

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is 0s. 6d. a mile taking a five-day week, less than a quarter of the ordinary ticket. The full season enabling one to get off anywhere one chooses as occasion serves is .8d. per mile, that is less than one-third of the ordinary season ticket. What is proposed is a season ticket for this distance of £40 8s. 0d. a quarter. A quarter's travel to and from Folkestone is a vast mileage. I got into so much trouble by saying how far the Brighton monthly season ticket holder got if he went in a straight line across Europe that I am going to abandon geography and stick to plain figures. I have worked it out that the Folkestone traveller—who, after all, does 160 miles a day for his five-day week—if he uses his quarterly ticket five days a week for his three months goes no less than 10,560 miles, and what we are proposing to charge him for 10,560 miles, if the headroom is put into full force, is 9,960 pence, which is almost exactly 0.9d. per mile, nine-tenths of a penny.

Tested by that absolute consideration of what is the price of the unit of transport carried over one mile, that must be reasonable. Tested by the discount shown in AD2, it is an enormous discount for bulk buying. Tested against any competitive form of transport, it obviously undercuts them and is cheaper. That again, I suppose, is one of the reasons why Objections come from this range, because they have no alternative; the fares are so cheap that any alternative travel would be more expensive, and therefore they regard themselves as tied to the rail. They could drive their motor cars up and down every day if they had motor cars. They could club together and buy a motor car, or go on their motor bicycles. They could go on motor coaches. But economically, as well as in terms of comfort, it simply is not worth it, and for those reasons they are effectually tied to rail. But it is rather hard if a person who is tied to rail by reason of the extreme cheapness of the fare can say that very fact is a reason for keeping that fare at a level which remains singularly low at a time when British Railways are making a deficit of, I suppose, £1½m. a week. That is the extreme range.

Taking Brighton, which is at the other end of the scale, 51 miles. We are proposing to charge, if and when the headroom is put into full force, 1.2d. per mile. I suppose that season ticket traveller who finds that his monthly ticket might, if the whole headroom were used, go up by 37s. 0d., thinks it is a lot of money to pay a month, but it is only, when one works it out, 10d. a journey, which is the price of four cigarettes which he would certainly have time to smoke during the journey, and compared with the headroom on the ordinary ticket it is a very small amount, because the headroom on the ordinary single fare to Brighton today is the difference between 2½d. and 3d., which is 51 halfpennies, being 2s. 1½d. So there you have a headroom for the Brighton traveller which could be used on his ordinary ticket of 2s. 1½d., and a headroom asked for for the season ticket of 10d.

Those points, I hope, indicate the reasonableness of the proposal. I emphasise again in that it is a headroom scheme, and a headroom scheme is what ought, save in the special circumstances of London, to be granted by the Tribunal, in my submission. I think I am right in saying that all the Schemes now in force, except in so far as the London Area is concerned, have been designed as headroom Schemes; that is to say, to give the Commission a power to charge above the level at which they immediately expect to charge.

(President): Have they all lasted as headroom Schemes?

(Mr. Fay): The ceiling has been raised with the pressure of economic events. What has happened with the recent docks Award I do not know, but, of course, the Merchandise Scheme has been increased by a percentage, if my memory serves me.

(President): Yes.

(Mr. Fay): You recall, of course, how long the ordinary headroom of British Railways lasted. When it was given back in 1951 it lasted, I think I am right in saying, down to some time in 1958 before it was finally used up.

The points which are made on behalf of the persons who are finding that the distance they travel must be reflected in the cost of the travel, and who find that a

quarterly season is increased by sums in pounds and not in shillings, so far as I have been able to understand them, are really two. They say, first of all, there is hardship involved; and, secondly, that they think the Railways' net revenue would suffer, because people will be discouraged from taking tickets, and, indeed, from living in the localities, or, if they have to live in the localities, from working in London.

Well, Sir, I do not want to say much about hardship. I hope the British Transport Commission has a corporate heart which is capable of feeling sympathy as well as other emotions, but it has been said time and again that in fixing maxima one cannot have regard to hard cases, and hardship, as a matter for sympathy, is a matter which is to be relieved in my submission, if it is to be relieved, by other means. It is for other Authorities and other bodies to deal with any question of great financial hardship upon individuals, and it is not, and never has been, in my submission, the task of the fellow travellers to make up by some sort of subsidy the fares which are paid by persons in straitened circumstances.

While I am on the question of hardship, I perhaps ought to mention one fact which, had I known it at the time, I would have put to the Chairman of the Herne Bay Urban District Council, because he mentioned, as you recall, that he had a teenage daughter who was travelling between Herne Bay and London. What he did not mention was the fact that she is entitled to a season ticket at a reduced rate if she is under the age of 18. I am afraid I did not know it at the time and I put no questions to him about it, but these are my instructions.

(President): Is it everybody under 18?

(Mr. Fay): In the Scheme there is a compulsory cheap-rate season for educational purposes, but, as a matter of concession, British Railways grant reduced-rate season tickets to anyone up to the age of 18 for residential travel, that is for travel to and from home. If they are between 14 and 16 they get a ticket at half-rate; if they are between 16 and 18 they get a ticket at two-thirds rate unless their remuneration amounts to no more than 25s. 0d. a week, in which case they get a half-rate. Those are very substantial concessions made to encourage travel by persons in that category. As I say, I regret I did not ask the Chairman of the Council about it.

I am reminded that it was a gentleman from Whitstable and not the Chairman of the Herne Bay Council who said he had a teenage daughter.

(President): He was a member of the Council, was he not?

(Mr. Fay): Yes. On page 240, Question 3880, he says: "My daughter is 15."

(President): He told us about the purchase by the Council from the Transport Commission of one of their harbours. I very nearly asked him how much they paid, but I thought I had better not!

(Mr. Fay): I suppose a close study of the book values would show a drop!

His daughter earned £4 10s. 0d. a week. As she is 15 she gets the half-rate anyway, and when she becomes 16 she will have to pay two-thirds. There is evidence that, for good commercial reasons, the British Railways think it right to charge less rates to persons whose incomes are presumed, I suppose, to be small because they are starting in industry. They do that for a class or category, but it is quite impossible to do it for individuals.

(President): In fact, although we abolished as compulsory charges traders' tickets and shift-workers' tickets, certainly the traders' tickets still go on, although I am not certain about the shift-workers' tickets.

(Mr. Fay): I believe they do, Sir.

(President): You might have added those to your list of concessionary fares.

(Mr. Fay): That is a breath from the past. We have not heard about shift workers for so many inquiries.

(Adjourned for a short time)

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[Continued]

(Mr. Fay): I was coming to the second point which was made by the Objectors to the long range commuter season ticket rate increases, and that was the objection that if the increases were put into force the net revenue would suffer.

It so happens that the figures which are available in this case show that it is just those ranges of season ticket revenue, and it is just the destinations for which those persons speak, where the season ticket revenue not only does not suffer by increases, but is in fact buoyant. I do not think I need go over the figures which Mr. Dickson gave of the actual season tickets in issue at Brighton and other places compared with two years ago, they are in the transcript at page 118. The same is true of other coastal towns. I have, in fact, been given the figures for the number of holders of quarterly non-intermediate seasons between London and Folkestone, and in 1958 there were 100 of them and in 1960 there were 114. There has been an increase in the meantime, but these are traffic which, apparently, do not suffer from any increases in rate which may be put into force.

(President): Have we any figures showing what these increases would be worth if they were charged in a year?

(Mr. Fay): No, we have not.

(Mr. Phillips): Mr. Dickson gave an answer of about £1m.

(Mr. Fay): Of course, that includes all ranges; I had forgotten that figure.

(Mr. Poole): It does not include London Lines, does it?

(Mr. Fay): No.

(Mr. Poole): Although London Lines will be included in the Accounts.

(Mr. Fay): Yes, except in the dissection of the accounts which appears in the Report each year showing the receipts of London Lines separately from the rest of British Railways. I am thinking of the table at page 60 of the 1959 Report; that gives the total receipts, not divided into seasons and other classes of ticket. But the interesting thing about these figures is that they can be set against the background of the statistics for the first eleven months of last year to which one of the Objectors called attention, which showed that there had been a slight decline in the season ticket revenue of the Southern Region during that period.

(President): You mean taken from the Transport Statistics?

(Mr. Fay): Yes. Against a decline in the total season ticket revenue of the Region, which must be largely attributed to short range tickets, presumably, you have an obvious increase in the volume of the tickets sold at the longer ranges. So it is just precisely in this class of ticket that the objection is raised that this kind of objection, namely that the net revenue will suffer, obviously has no validity.

I do not think I need say more about that, or, indeed, more about season tickets of British Railways outside London, except to conclude by saying that British Railways cannot afford to neglect this as a source of revenue in the present circumstances.

(President): I think someone did say "Yes" to an answer I put, that certainly when you are talking about the main lines, one can take it that at least 90 per cent. of the season ticket revenue came from distances under 30 or 25 miles, I forget which.

(Mr. Fay): I think you put 30 miles, Sir.

May I go on to the main bone of contention in this case, which is the position of London. Dealing first with London Transport I take my stand now, as I did at the commencement of this case, upon the Tribunal's interim decision of last time coupled with their final decision as shown in the Order which was made.

The Tribunal in 1959 said that, among other things, for the year 1961 London Transport ought to have a net revenue sufficient to provide a fair contribution to Central

Charges and a surplus of about £2½m. Now one can stop there and then go on, as was done at the time in the memorandum, to discuss what is a fair contribution to Central Charges and then, having found it, add it to the £2½m. approximately which is the balance of the net revenue requirement. But there is also another way in which I would like to argue from the Tribunal's decision, and that is to consider what net revenue the parties who were present in this hall on that occasion envisaged as likely to result in the year 1961 from the fares which were in fact authorised by the Tribunal. As I said to Mr. Hill, I do not think it proper to speculate as to what the Tribunal itself envisaged, but I hope I am not transgressing the bounds of propriety if I give the views, at any rate as expressed at the time, of the parties as to what the result would have been and indeed should have been.

I do not know that I need go through the steps in that process because I put them step by step to Mr. Hill when I was cross-examining him and he agreed with me, firstly, that the Commission envisaged that the net revenue which would be produced by the charges which were in fact authorised would in the year 1960 be £8.9m. and in the year 1961 £8.8m. Mr. Hill said: "Oh, yes, that is merely what the Commission thought was the product of the charges which were then authorised," but, as he subsequently agreed, the opponents at that time were saying: "Oh, no, your forecasts are too pessimistic; you will, in fact, get more than this." Well, Sir, if the Tribunal accepted the case for the opponents, then so much the worse for the opponents now, because the net revenue envisaged would be higher. But I prefer to take it at the lower figure, which is the figure which the Commission put forward, and, as I say, the figure for the year 1961 which was expected to be produced as a net revenue out of which would have to come both the Central Charges and the surplus was £8.8m.

May I refer to the passages where I went over that matter with Mr. Hill. They are on page 192 of the transcript. The first of the figures appears at Question 2844, where I said to Mr. Hill: "No mind attributing anything to the Tribunal. Will you go this far with me, that the Commission put forward the revised proposals as, in their view, likely to produce a net revenue of £8.9m. in 1960? (A) I would accept that."

Then there was the exchange about the forecast which he said was the Commission's forecast, and Question 2847: "You thought, did you not, that it would produce a higher figure? (A) I thought, in terms of receipts, it would produce a higher figure, yes."

The matter was finalised, I think, at Question 2853: "So it looks, does it not, as though there was a consensus of opinion between the Commission and the Objectors that at least £8.9m. would be the net revenue to be aimed at for 1960? (A) I agree that we thought the effect of these proposals would be to produce at least £8.9m. revenue, but that does not mean that we agree the Tribunal thought that." That was 1960.

We dealt in the second column with the following year, Question 2863: "Net revenue £8.9m. in 1960 and £8.8m. in 1961. Once again in 1961 as in 1960 the Objectors thought that the revenue would be higher than that and, therefore, the increases ought not to be allowed? (A) Yes. (Q) You know, do you not, that the actual net revenue for 1960 was £8m.? (A) No," and I pointed out that "actual" should be qualified by the word "estimated" and he said "Yes," and he said he had taken the figures into his tables.

Question 2868: "Do you accept that if the whole of the present application is acceded to and stage 3 is put into effect later this year the net revenue is likely to be £8.1m. in 1961? (A) I do not at the moment. Let me work it out from something of my own. I do, yes, in 1961. (Q) In this present year, 1961, if the proposals of the full Scheme, that is including stage 3, are in due course implemented, then the forecast is a net revenue of £8.1m.? (A) The forecast is £8.1m., yes. (Q) And on the same hypothesis, the forecast for 1962 is £8.9m.? (A) That is so, yes. (Q) You accept that? (A) Yes, I will accept them as forecasts. (Q) Forecasts which I have not heard you criticise? (A) No, that is true."

I would like to emphasise that last Question and Answer, because criticisms which Mr. Hill had not made have been

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[Continued]

made in the final addresses of the last two advocates to address you. It has been said, if I understand rightly, that those forecasts are not accurate, or not likely to be proved accurate, for two reasons: one that Mr. Harbour has insufficiently evaluated the recovery of passengers lost by irregular running of buses, and the other is a point made this morning by my learned friend Mr. MacLaren, that the revenue is likely to be higher in any event, as one understood him.

Those observations made in argument are made without the backing of any evidence from the only witness, namely Mr. Hill, who gave evidence on this point in the Inquiry, and his evidence is that which I have just read to the Court, namely that he does not criticise the forward forecasts and, indeed, as is there mentioned he has taken them into his own tables. Mr. Hill, as you know, is not unmindful of the fact that in Inquiries of this kind the forward forecasts ought to be scrutinised and if something can be found to indicate that they are wrong that point can be made for the Objectors; indeed, last time Mr. Hill devoted his two tables SWH1 and SWH2 to proving statistically that there was a declining trend in London Transport's traffic of £0.6m. per annum. That point was made on that occasion because the budget then under consideration provided for a decline of more than that and Mr. Hill was concerned to say: "The trend is declining and I put the decline at £0.6m." This time we get no word from Mr. Hill of any decline which has been over-estimated, or any other criticism of Mr. Harbour's figures. We do, however, get Mr. Goff referring to Mr. Harbour's answers to Mr. Goff's questions about the recovery of the passengers lost by irregular running, and you remember the last answer of Mr. Harbour in which he said there might be £1m. But that answer must not be taken out of context, and I would like to refer you to the whole of what Mr. Harbour said about this factor as bearing upon the accuracy or inaccuracy of his forward forecasts.

His first reference to it was at page 36, half-way down the first column. This is Mr. Harbour being examined-in-Chief, and he is drawing attention to the increases or variations as between the budget for 1961 and the preceding year. The question is: "That is the first factor of variation between the two years. (A) Yes. Then I have made an adjustment downwards of £0.3m. in our traffic receipts for the variations in the calendar in 1961 to which I referred this morning, there being two less week-days and one more Sunday, and my estimate of that is £0.3m. (Q) £0.3m. less in 1961? (A) Yes. Then in looking to 1960 I have assumed that there will be some continuation of the buoyancy" — I think that should be 1961, Sir — "of our traffic which was reflected in the receipts, particularly on our railways, in the latter half of 1960, and I have attributed to that feature £0.5m. If you add together the three items, the further effect of 1961 of the May, 1960, increases of £0.8m., the reduction of £0.3m. due to the changes in the calendar and the increased receipts that I have included of £0.5m., you get, on account of continued buoyancy of traffic, a net addition of £1m. . . . (Q) The significant difference there is, perhaps, the £½m. you have assumed for increased traffic. (A) That is the significant difference, and perhaps the most chancey of these."

Then Mr. Harbour went on to refer to the slight recession which was evident towards the end of last year, and the last Question in that column was this: "But in the light of what you know now, do you think that £0.5m. is, perhaps, on the optimistic side? (A) I certainly do. I am a transport operator, but I try to take an interest in the economic conditions that govern to so great an extent the business that we have in London and the affairs of our country, and I cannot fail to take serious note of certain trends in the economic position of this country, trends which show short-time working in various industries, particularly the car industry and its allied industries, all of which we have found from experience in the past have a direct repercussion on the volume of traffic carried by London Transport. I have made no allowance for any such recession as, indeed, I have made no allowance — which I have made on previous occasions — for a general downward trend in our traffic due to the diversion of passengers from public transport to private transport or the distraction of the public we attempt to serve by television."

There, Sir, he is saying that his £½m. increase in receipts budgeted for is, perhaps, on the optimistic side, a chancy figure, and it contains no element, unlike previous forward estimates, of the declining trend, the trend which, as I say, on the last occasion we met Mr. Hill was concerned to establish at a figure of £0.6m. There is Mr. Harbour in Chief.

He is cross-examined first about it at page 121. This is by my learned friend Mr. Goff, towards the end of the page. At question 1421 my learned friend is putting forward the suggestion which he elaborated in his argument, and he put the question: "And an increase in mileage by reason of an improved staff situation will increase revenue without any increase in fares, will it not? (A) If you work more mileage it is a reasonable assumption that you will gain more receipts; on the other hand it is more than a reasonable assumption — it is a certainty — that one's expenses will increase too, and as the deficiencies of our services on the roads are mainly felt in the peak hours, I hold the view that if we are able to break even between additional expenses and additional receipts we shall be fortunate, and it may well be that the expenditure involved will exceed the receipts."

"(Q) So the object there is mainly to improve the service and not to increase the net revenue? (A) The object is to improve the quality of the service, to reduce the delays which people have to suffer when irregular services are worked, and in particular when mileage is lost, as we so call it. The effect of lost mileage on the quality of the service is very bad; in fact, in terms of public inconvenience, if not of hardship, it is very great."

"(Q) So the short answer to my question is what I have already said, namely that the object is to improve the service rather than to increase the net revenue? (A) Yes." And there my learned friend departed from this question, which is now reverted to in his final speech to you because of what Mr. Harbour said to Mr. MacLaren in cross-examination.

What Mr. Harbour said to my learned friend Mr. MacLaren, when you examine it, was in relation to gross receipts, and Mr. Harbour does not wish to be understood as envisaging that there is going to be an increase in net receipts of £1m. His evidence must all be taken together. What he is saying to Mr. Goff and in Chief, quite clearly, is: "Well, I have estimated we are going to get half a million pounds more net revenue than we did last year, and that, I think, is a chancy forecast, perhaps optimistic; but there it is, that is the forecast I have made in the same way as I have made forecasts in the past." There I ask you to say that that is the forecast on which this Court ought to reply. It is made by an officer, and with the assistance of an organisation which has made such forecasts in the past — never for the purposes of these inquiries, but also for budget purposes, for the domestic control of the organisation — and they have proved time and again to be pretty accurate forecasts. One has only got to look at the budget forecast for last year coupled with what, in fact, happened to see the accuracy of the forecasting which London Transport is able to make; that is BH 30 at page 77. After a lot of fluctuations the year's receipts turned out to be within £100,000 of the budgeted figure of £83,400,000; they were short by the amount of £100,000, which is a very small difference.

(Mr. Phillips): I think it would be fair to say that the budget, as it stands now, was not drafted in that form before the year began.

(Mr. Fay): Not with the precise figures which appear in the budget column, because it is adjusted for fares increases, of course. That is perfectly true, but the adjustment, of course, takes into account not only the gross, but also the net effect of any fares increase week by week after it happened.

(President): Can we take it that up to the end of April the budget figures in BH 30 were the budget figures arrived at in November, 1959?

(Mr. Fay): I think that must be so, Sir.

(President): In other words, the revision was not retrospective?

(Mr. Fay): No.

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[Continued]

(President): Of course, up to that date the deviations were quite considerable, were they not?

(Mr. Fay): Yes, Sir. The minus starts in March, sometime before the fares went up. The fares, I am reminded, were increased on the 8th May, and if one looks at the previous week one finds that by that time the deviation from budget cumulative percentage was only 0.4 of 1 per cent. So it had averaged out to being a pretty accurate forecast before there was any disturbance of an increase of fares.

Then I was going on to the next page to say that this year the results show much the same picture. Last time I gave you any figures to fill in the blank spaces in this table we then had absolute parity in the budget. We have now got, and I can tell you, two further weeks, which, having regard to the recent weather, you will not be surprised to hear have produced good figures. In the week of 19th February the actual receipts were £1,648,000, deviation from budget plus £29,000 and plus 1.7 per cent. Cumulative receipts £11,223,000, deviation from budget plus £29,000, and plus 0.3 per cent. The second of the two weeks I have is that ended 26th February: Actual receipts, £1,652,000, deviation from budget plus £3,000, and in percentage plus 0.2 per cent. Cumulative actual receipts, £12,875,000, deviation from budget plus £32,000, or plus 0.2 per cent.

There the figures are up, fortunately, and one sees in the first of the two weeks' figures a substantial increase due to a fine week-end on that occasion. It is to be hoped that there will again be an increase reflecting this last week-end, which is satisfactory from a busman's point of view.

(President): If there are two exciting Test Matches which retain their excitement and last their full period, that will make a difference this year, will it not?

(Mr. Fay): Yes, Sir, no doubt.

(President): They must not be too exciting, because then they would not run their full number of days; they must preserve a nice balance if they are going to be sympathetic to London Transport.

(Mr. Fay): Yes. I remember discussing the effect of the Festival of Britain on these figures, and that is a long time ago, Sir!

I think it is possible to forecast that if every day from now to the end of September was like to-day there would be a substantial increase on the budget, and if every day until that time was a wet day there would be a substantial decrease. These figures are very vulnerable to weather. But by and large, when one finds correspondence of the order we find this year and last year with the budget, it once again gives one confidence in the skill and accuracy of the forecasters, and that is my purpose in referring to those two tables. I ask you to accept, as Mr. Hill has accepted, the forecast made for 1961.

(President): I think Mr. Hill, at any rate, would prefer to say, not that Mr. Hill has "accepted", but that he has not criticised.

(Mr. Fay): Yes; and I cannot help feeling that that is a distinction without a difference in the case of Mr. Hill, whose critical facilities are so well formed!

If one accepts these forecasts—and I submit that one should and that the criticisms which have been made this morning and last time are insubstantial—then they show that if this Application is granted in full, and granted without undue delay, the net revenue of London Transport in the present year should be about £81m. and next year, in 1962, should be about £8.9m.

(President): The difference being entirely due to delay in the operation of the latest one, nor not?

(Mr. Fay): I think not, Sir. Of course, there is only a partial effect of Stage 3 in the 1961 figures, but there are other adjustments which I think lie behind Mr. Evershed's figures of his net revenue for the future. Those figures are to be found in his specific-approach Table AE 6, column 10. His Note 2 to that table shows that the figures are based on the assumption that there is a yield from all the receipts—that is assuming Stage 3 comes into

force this year—amounting to £6m. this year and £7.3m., which is the full effect, in the next year. I think I am right in saying that the figures take into account also the variations in expenditure, because the expenditure for 1961 does not include 100 per cent. of the recent wage increases, as some of them have not been effective or will not be effective for the whole year, but they are taken in for the whole year in 1962. That is our forecast with which Mr. Hill does not quarrel and which he takes into his table.

Looking ahead to 1962, where the full effect of Stage 3 is reflected in this figure of net revenue of £8.9m., if one finds that that is a proper forecast, and if one finds that at the last hearing the Tribunal thought it right that there should be what the parties at the Bar envisaged as, on the figures, a net revenue for 1961 of £8.8m., and for 1960 £8.9m., then, in my submission, this forward forecast of £8.9m., as the net revenue for 1962, if this Application is wholly granted, in effect is proved as needed. In other words, if the Tribunal is still of the same mind as it was in 1959—and I will come to matters which might have induced it to change its mind; but if it is of the same mind, as I submit it certainly should be—then to grant this Application will do no more than to give London Transport the London revenue which the Tribunal said last time they should have. That is a simple way of putting the matter, simplified by lumping together the surplus and the Central Charges and calling it what, in effect, it is, the net revenue. It simplifies the matter by avoiding the necessity of considering what are the precise sums to be attributed to Central Charges, or, indeed, the imprecise sums to be attributed to Central Charges.

The strength of the Application here lies in the fact that there is this net revenue forecast, there is the same figure, or a similar figure, given as that suggested by the Tribunal's decision last time as the proper revenue requirement, and the opponents cannot ask you to reduce the output of the Scheme, they cannot ask you to scale down this Application at Stage 3, unless they ask you to do two things. Firstly, to depart from the approximate amount of the reserve or surplus which the Tribunal said last time should be aimed at, and, secondly, to accept Mr. Hill's views of Central Charges in opposition to the views of the Commission. Unless they do both those things they cannot succeed in getting the surplus revenue, whether it be £0.9m. or any other figure, to enable them to ask you to scale this Scheme down to the single-stage charging device or anything else. My case derives added strength from the modesty of the Application. The Central Charges obviously, whatever base one starts from, have increased since the time we last met; they are increasing, and the outlook for 1962 is that they will have increased further. If at the end of this day we are left with an ability to obtain a net revenue of no more than the net revenue envisaged in 1959 while Central Charges have increased in the meantime, then, in my submission, we are in a very strong position indeed and one in which the justice of this Application and its consistency with the Tribunal's previous decision are self-evident. The only inconsistency is the one which you yourself mentioned to me earlier on, that it might be that we have not asked for enough. We have suffered from this modesty on many occasions, perhaps induced by the heat of the attack which is levied against the Commission everytime it asks for any increases in fares and, perhaps, partly induced by the fate of some of the Applications which have been made to the Tribunal in the past. At any rate, it does not lie in the mouths of my opponents at the Bar to complain of the Application being modest, and modest is my submission, it is. In its modesty lies its strength, and in its modesty my path is considerably eased.

If my learned friends are to ask you, in effect, to depart from your decision of last time, they have, as I say, to ask you not only to say that the surplus should be less, but also that the Central Charges should be as my submission, Mr. Hill's view and not on the view put forward by the Commission. May I say this about the surplus: Mr. Hill, who is the only expert witness called by the opposition on this as on some other occasions (although that does not apply to 1959), said in 1959 that the surplus ought to be no more than £1.5m. Mr. Hill says now that the surplus ought to be no more than £1.5m. Mr. Hill is consistent, and let him have all the credit there may be for his consistency. Of course, he puts forward his honest and

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honestly held view; but the significant thing about Mr. Hill's evidence is, perhaps, his consistency. He does not say: "Oh, well, £2.5m. was perfectly all right in the circumstances of 1959, but now things have changed so that obviously you cannot expect in the economic circumstances, or whatever other changes there may have been, to get £2.5m., you ought to have no more than £1.5m." His reason for putting forward £1.5m. now is the same as it was before.

I was particularly anxious to see if he was going to say there had been some change in circumstances, and I asked him about it, and his answers are to be found on page 193, starting with Q.2906: "Against that background, what do you say the target should be for 1962? (A) At the most £1.5m. (Q) Why? (A) That is what I said in my evidence in chief. (Q) You see, the Tribunal said that the target for 1960 and 1961 should be £2.5m., but you do not mind? The Tribunal will not think you are being impertinent if you say you honestly think they were wrong. Do you honestly think they were wrong? (A) Yes. I think the reserve of £2½m. under the present circumstances of losing your traffic"—and I interrupted and said: "You are off my question. I said do you think they are wrong? (A) In 1959? Oh, yes. (Q) So in the then circumstances £2½m. was too much? (A) I think so. (Q) What would you have thought right in those circumstances? (A) At the very most £1½m. (Q) And £1½m. now? (A) At the very most, probably less. I said it was somewhere in that range. There is no secret of one's views about the £2½m."

I am quite sure you will not take umbrage at Mr. Hill sticking to his guns and saying he thinks the Tribunal were wrong; that is his honest opinion and I accept it as such. The point I am seeking to make is that he does not come here to say the Tribunal were right when in that event they happened to reach a different result, Mr. Hill is saying now "The surplus ought to be less, and it ought to be less now because it always ought to have been less." I thought my learned friends on Friday and this morning seemed to be suggesting that there had been some change in circumstances which would have made a difference, but the only change they can find to rely upon is that there have been two increases in fares since. The fact that fares have to be increased cannot possibly be a circumstance leading to an alteration of one's target. It may lead to the consideration that you are getting to the point at which an increase may produce no net revenue, but that is not suggested. It is not suggested we shall not get a net revenue from an increase because it comes on the heels, or after a decent interval, of two other increases. In my submission, there is nothing urged before you which could possibly induce the Tribunal to depart from the view which I submit is at least the correct view, that there should be at least a surplus of £2½m.

If that is right, then as Mr. Hill accepted when I put it to him, this Application has to be granted even on his view of Central Charges, because you cannot get up to your surplus of £2½m., even on his view of Central Charges, without the increase yielded by Stage 3. That is the way the case is put now, as it was at the beginning of this Inquiry, and in my submission it has been amply proved by what has been heard in Court.

I suppose I ought to say a word, since it has bulked large at this Inquiry, about the past, about Central Charges. I cannot help feeling that the Tribunal must have reached a view about Central Charges on the last occasion, and if the sums which I have done on the Tribunal's order last time set against the yields which were forecast are right, the Tribunal's view of Central Charges then was not far different from the view put forward by the Commission. But it is said on this occasion that the Central Charges are very much less than are being now put forward by the Commission and, as I say, I should, perhaps, call attention to some of the matters which arise out of the debate on those Central Charges.

(President): We are only committed to one public statement about Central Charges, are we not?

(Mr. Fay): Yes, in 1953, Sir. I am skirting round the task of drawing deductions from your Interim Decision of 1959 in the light of the subsequent decision. I am not saying that that commits the Tribunal, or, indeed, that the 1953 pronouncement commits the Tribunal. It, I suppose, commits them to a view held as at that time, but

I am fully sensible, as I said at the outset, that these matters are always open to fresh debate. But I hope that the Tribunal, having, as I suggest, come to those views although not having communicated them to the outside world, will not depart from them and has heard nothing on this occasion to lead them to depart from them.

I should say a word about Mr. Hill's method of arriving at Central Charges and endeavour to point out what I shall submit are the fallacies of his present method. Mr. Hill pins himself to his SWH 2 coupled with SWH 5 when he comes to project it into the future, the method of finding the total invested capital in both London Transport and the British Transport Commission, finding the proportion which one bears to the other, and then splitting the Central Charges of the Commission in that same proportion. That is an exercise which the Commission have themselves put forward in the past; not in quite such a refined way as Mr. Hill now puts it forward, but the Commission have put it forward as one of the many tests which ought to be looked at, and as a test it is a permissible process. Mr. Hill would not have it that it is a test. He says it is not a test; it is a formula, it is a way of doing sums which arrives at an exact result. In my submission, if one is going to depart from it as a test and use it as a formula, one has to be very careful to see that it does not introduce elements which distort the picture, and when one looks closely at SWH 2 and the figures it throws up one begins to wonder what distortion is happening and why it is happening. You, I think, put your finger on one of the points which need investigating when you pointed out that there is a difference between Mr. Hill's SWH 8 and Mr. Evershed's AE 5—

(President): You are going on to Mr. Hill's specific method, are you?

(Mr. Fay): No. SWH 8 is his document corresponding to AE 5. Mr. Hill's pure specific method is SWH 4.

Both Mr. Hill and Mr. Evershed are agreed, it seems, that having got a figure which was valid in the past one ought to bring that into line with present-day circumstances by finding out how much additional interest burden is involved in London Transport's capital borrowings in the interim, and hence these two tables SWH 8 and AE 5.

The significant difference between them, as you pointed out, Sir, is that Mr. Evershed has got a column in AE 5 for the year 1959. He starts off from a base of £6m. contribution to Central Charges in 1958 and finds out how much additional interest burden ought to be added to it in each of the four years from 1959 to 1962 inclusive. Mr. Hill, on the other hand, starts with a Central Charge which he finds for the year 1959 of £5.3m. and adds on similar, though not the same, figures for additional interest burden in 1960, 1961 and 1962. If Mr. Hill's method is a legitimate method, that ought not to produce any great disparity between the two approaches, but see what happens.

If you look at AE 5 you find, at line 10, that the additional interest burden on Mr. Evershed's showing in 1959 is £0.1m. That means that if one is doing the same sort of calculation, whatever figure you throw up as to the proper contribution for Central Charges for 1958, the figure for 1959 ought to be £0.1m. higher. One then looks back at Mr. Hill's table SWH 2, which gives his mathematical calculations for both 1958 and 1959, and one finds that he produces the same figure, £5.3m., for each of those two years. What has happened to the increased financial burden which London Transport has clearly suffered by reason of the borrowings exceeding the internal financing? Is it just the turnings of the fraction, or is it something more fundamental?

In my submission, the clue to what has happened to that £0.1m. is the reason why Mr. Hill's test SWH 2, however good a test it may have been in the past, is certainly not a formula and is now becoming a test which ought to be viewed with considerable discounting, at any rate. Mr. Hill in this table as you know—because this is the point you raised more than once—has taken out British Railways' recent borrowings. He has taken out the figures so far as they are transferred to the Special Account. He has taken the interest out of the Central Charges in SWH 1 and he has taken the capital out of his table SWH 2. What happens if you put them back? I daresay you have

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done the calculation since this is a matter to which you have obviously addressed your mind, but the calculations which have been done for me show that in 1959 the figure produced, if one adds back both the SWH 1 interest (in other words, takes line 14 instead of line 18 as the amount of Central Charges to be divided) and if one adds back the deducted capital in line 13 (b) and (c) of SWH 2 and starts off with the figure in line 13(a) instead of the figure in line 14, the resultant is to produce a Central Charge in 1958 of £5.7m. and in 1959 of £5.8m.

(President): I make it £5.85 in 1959, taking it to two places.

(Mr. Fay): I have taken it only to one place. I think it is a little less than £5.7m. taken to two places. I do not know what your figure was for 1958, Sir. But, at any rate, there is the missing £0.1m.; it has got back again. Why has it got back? That is the interesting part of this financial detective investigation, and I think I can not only supply the clue but solve the mystery, although I daresay it has already been solved in your own mind.

The reason why Mr. Hill's Table SWH 2 distorts it, and indeed looks as if it is going to produce a scale charge of £5.3m. it re-worked year after year for many years despite increases in capital borrowed on London Transport, is that his method is all very well if you are borrowing at the same rate of interest throughout the whole time. If all the borrowing by the British Transport Commission had been at 4 per cent., it would not have mattered if he had taken out the British Railway figures; the result would have been a fair one. But he has taken out the British Railways recent borrowings, the borrowings which were made in recent times under the Act of 1957, and which are transferred to the Special Account; and it happens that owing to the financial background of the times, that was borrowed at a high rate of interest. He has taken that out; he has said that they had borrowed a great deal of money at 6 per cent., and says that London Transport ought not to be asked to pay one-tenth, or whatever the proportion is. But London Transport has been doing a lot of borrowing itself in recent years at 6 per cent., and Mr. Hill says: "I keep that in my sum, which means that I get the other parts of the Commission to pay nine-tenths of their borrowings." In other words, the table has got out of weight, so to speak, because it includes all the recent London Transport dear money and shifts nine-tenths off on to the other parts of the Commission; but it does not do the reverse process which would be fair if the rate of borrowing was the same for all the activities of the Commission, thus bringing in the British Transport Commission dear money and getting London Transport to pay nine-tenths of that.

That would not be an unfair result, but the result of doing what Mr. Hill has done is to produce a complete unfairness. He has lost the £0.1m., but it is not only that; he has lost the balance altogether between London Transport borrowing and the borrowings of the rest of the Commission, and for that reason, Sir, I ask you to disregard that approach.

I ought perhaps to explain why it was that in a similar, although less complicated, calculation put forward by the Commission in the past, they have adopted much the same method of taking out of the calculation what was in that Special Account, or at any rate half of it. The reason why that was done in the beginning was that it was thought to be fairer to London Transport to do it in that way.

So it was in the beginning; in the beginning British Railways were borrowing a great deal of money at higher rates of interest at a time when London Transport was not borrowing anything at all net. That was the original position, and if at that time when London Transport was not borrowing any of the new dearer money, London Transport had been asked to pay one-tenth of British Railways' sizeable borrowings at that rate of interest, that was thought not to be fair to London and was kept out of the calculation. In those circumstances, therefore, I venture to submit that it should be done in the way you have already said commends itself to you, and should deal with the whole of this sum of interest charge.

But it is not the approach which the Commission regard as anything more than a rough test, and if it is a test, it

has to be a test considered against its defects, one of which is that it pays no attention to any re-financing of a part of the Commission's indebtedness. This kind of test, for example, wholly loses the nearly £3m. increase in interest which resulted in consequence of the funding of the London Electric Finance Corporation's loan to the predecessors of London Transport between 1954 and 1956.

That gets into Mr. Hill's specific table SWH 3 in column 2, and that is why the interest on capital increases in that column. There is a similar increase in Exhibit PJ 16 and its successors. But that is wholly lost on Mr. Hill's global approach, and it is a factor which the Commission's approach on judgment takes into consideration and is able to take into consideration just as the approach on judgment can take into consideration the extent of dear borrowing or the amount of dear money which happens to be attributable either to the Commission or to London Transport as the case may be.

(President): Mr. James, whose absence from this Inquiry we greatly regret, suggested that if you wanted a quick—I do not think he said a lazy—way of forming an opinion on the proper allocation, we could assume that we were right in 1953 in fixing the allocations at £5.4m., and then remember that the effect of what is called the re-financing of the London Electric Finance Corporation loan was that there was an annual interest charge of £0.48m., and that we could proceed, therefore, confidently to the conclusion that the Central allocation for 1959 which Mr. James was speaking about would not be less than £5.88m. I think there are some difficulties about the short cut, but they are useful figures to bear in mind.

(Mr. Fay): Yes, Sir; £5.88m. for 1959 is also the figure which Mr. Lawson arrived at.

(President): Yes, that is another curious thing. His £5.88m., compared with a revised SWH 2—revised, that is, in a manner which Mr. Hill does not want it revised—compared with £5.85m. His own specific figure for 1959 is £5.73m., is it not?

(Mr. Fay): Yes, Sir. Of the difference between Mr. Hill's global approach and the Commission's approach, the bulk of it does appear to be the re-financing, or the effect of the re-financing, and as I submit, Mr. Hill's approach as in SWH 1 and SWH 2 gets increasingly distorted by his taking out the British Railways dear money and thereafter not setting it off against the London Transport dear money; in other words, London Transport's heavy interest burden, because of high interest charges in recent years, is nine-tenths shifted off on to British Railways, and the other parts of the Commission, and there is no corresponding burden on London Transport to pay its share of the high interest rate borrowings by British Railways, which of course is by far the preponderant borrower.

For all those reasons, therefore, I would ask you to reject that approach as becoming increasingly out of touch with reality and increasingly misleading, and to adopt the rather pragmatic approach of the Commission this time and say: We take the figure we took last time and say what should be added to it, because we know what we have borrowed; start with £6.0m.; look at Exhibit AE 5, and see what should be added. There is nothing between Mr. Hill and Mr. Evershed on the method of finding the increment; Mr. Hill agreed that the only difference between the two approaches was that he had deducted the £0.3m. for bus and coach overhaul, line 5, which if he had known about it he would have put in. The other difference, a more substantial one, of course, lies in the starting figure.

(President): Yes. Of course, the maddening thing about accountants is that they are not content to take a form which they want to criticise and draw up their criticism following the same form. No doubt if Mr. Hill's table had been the first one to be put in and then Mr. Evershed put in his table, it would have been in quite a different form; but why Mr. Hill, having AE 5 in front of him, did not use the same figures and just correct them one by one, I cannot conceive.

(Mr. Fay): Yes, Sir; they are a bit topsy-turvy in his table by comparison.

(Mr. Goff): They are different, but not necessarily topsy-turvy.

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(Mr. Fay): I am not criticising the end product—

(President): No; there is no great difference between the end products. But it is a system that is favoured by accountants—seeming to assume the answer midway to getting it. When I do it I have to think about it.

(Mr. Fay): It is inherent in all the tables; if you have to find the increment, you have to find how much is self-financing, and if you want to know what that is, you have to know what your Central Charges are.

(President): Yes, but in a different way. However, these are irrelevances; we have the two tables, and I think we now understand the difference between them. As to the actual difference in the tables, there is no real difference between them as to the amount of the added interest burden.

(Mr. Fay): Yes, and that is only due to the fact that Mr. Hill says there is more self-financing because he puts the Central Charges lower. If they are lower, of course, the surplus is higher and there is more self-financing and less to borrow. The method is precisely the same; Mr. Hill agrees that, starting off at £6.0m., the results are right.

(President): Yes, the two tables are in agreement in their answer to the question of how much extra interest burden there will be owing to this capital works programme.

(Mr. Fay): Yes, and one must never forget the little footnote on Mr. Evershed's table that you have to carry forward a half-year; that wherever you stop there is still a half-year knocking at your door in the first half of the next year. That is a matter of some importance; if Mr. Evershed is right it is no less than £300,000 which will be added in 1963 and if one permits oneself to look as far as that in assessing a maximum fare, that ought to set the ceiling that is to be put on the Central Charges. In other words, the total Central Charges thrown up by Mr. Evershed's table are £7.4m. and even if there is not any more borrowing at all, it would go up to £7.7m.

I do not think I need say anything more about Central Charges; I submit that the method which has been put before you by the Commission, although it lacks novelty, is the one which ought to be followed and which indeed I submit accords with the views which the Tribunal has expressed in the past.

(President): Time was when Mr. Hill thought the specific method was the only accurate method.

(Mr. Fay): Yes, Sir, back in the early days.

(President): And there came a time at which he said he had done the sums by both methods and they both came to the same result; therefore there was nothing much in it.

(Mr. Fay): Yes, and therefore he adopted the other method.

(President): Yes, and now he says—and there is an element of truth in this—that the further you get from 1948 the more difficult it is to carry on with the notional approach. In point of fact both approaches are notional.

(Mr. Fay): Yes, indeed, and they both have this in common, that looking to the future in times of expanding investment they are both specific; AE5 and SWH8 are pieces of specific approach.

(President): I think a future Tribunal would be wise to abolish all these adjectives and decline to hear any advocate on either side speak about "global", "specific" or anything like that, but to call them guesses.

(Mr. Fay): Yes, Sir; one side calls it judgment and the other calls it a guess.

(President): Yes; the polite word is "informed guess", is it not?

(Mr. Goff): I do not think I have ever suggested that it was a random guess, Sir; what I did say was that it had the element of a guess as compared with a calculation.

(President): Yes—that is another word.

(Mr. Fay): I had passed from the question of surpluses, Sir, but in view of what was said this morning by my

learned friend Mr. MacLaren I think perhaps I ought to say a word about the legal obligation of the Commission.

As I understand it, section 3, sub-section (4), of the 1947 Act, the section which requires the Commission to pay its way, has only been modified so far as the sums transferred by the special account are concerned. That means by and large—

(President): I have never known what the effect of that modification was; I suppose it would be an answer for an application for a mandamus based upon section 3, sub-section (4). It is surprising that section 82, I think it is, has not been mentioned.

(Mr. Fay): That is the section which requires the Tribunal not to do anything which interferes with the Commission's duty; that is section 85.

(President): That has been left unaffected; it is not specifically mentioned in the Act of 1957. Section 92—

(Mr. Fay): Section 92 deals with the general reserve and section 93 deals with the sums chargeable to revenue; but section 85, which binds the Tribunal in terms, refers to the Commission's general duty "to secure that their revenue is not less than sufficient for making provision for the meeting of charges properly chargeable to revenue taking one year with another", which is in fact the wording of section 3, sub-section (4).

Whatever it means, that section is still the law, subject to the modification of section 3, sub-section (4) by the Act of 1957, and surely that must mean that although there is nothing wrong in the Commission failing to do that which it manifestly cannot do, namely make ends meet on British Railways, it still has to make ends meet and it is under the legal obligation to do so, on all its other activities; and "ends meeting" includes, according to section 92, forming a reserve.

(President): Do you interpret section 85—the minatory words in section 85—which say that the Tribunal shall not "do anything . . . which . . . will prevent the Commission from discharging the Commission's general duty", etc., etc., as having the same meaning as "the Tribunal shall do their best to assist the Commission", etc.

(Mr. Fay): I should have thought it at least meant that, Sir, although it is coined in negative terms.

(President): Yes; it is a funny provision.

(Mr. Fay): Negative provisions sometimes take a little reading before one can construe them with confidence; but surely the meaning of this is reasonably plain. There is set up the financial duty of the Commission, and the Tribunal ought not by its decisions upon Schemes to impose maxima at such a height as to render impossible the reaching of that target.

(President): Yes. The saving words, so far as we are concerned, are "in their opinion"; we are only to make such Charges Schemes as we think right, so we are not to make a Charges Scheme which we think is wrong.

(Mr. Fay): Yes, Sir; I do not think it does more than remind the Tribunal of the provisions of Section 3, sub-section (4), of which in fact the Tribunal needs no reminding; I certainly would not want to put it any higher than that.

But there is a duty, and having regard to what my learned friend Mr. MacLaren said this morning it is a duty which according to the 1959 Accounts is being carried out.

If one looks at the Revenue Account at page 3, one sees just what has been done by the other activities than British Railways—the activities, in other words, which are still under the duty to make ends meet and making the meeting of ends to produce a surplus or a general reserve. One sees that the working surplus is approximately £30.0m.; the Central Charges attributed to these other activities are approximately £20.0m. and the surplus, or reserve—call it what you like—is approximately £10.0m.

Mr. MacLaren referred this morning to these results of the other activities, which of course include London Transport. What he was seeking to deduce from it, I am not quite sure, but I would remind you, Sir—not that you need

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reminding—that this was in 1959, a year in which the working surplus of London Transport was in fact £6.0m. If the Central Charges are £6.0m.—and they are something in that vicinity—then this surplus over and above the total Central Charges of £10.0m. owes not a penny to London Transport. In other words, the other activities are unable to carry out their statutory duty, or the Commission is unable to carry out its statutory duty in respect of the other activities, but in that year 1959 it was not able to do so in respect of London Transport, and the other activities had to carry London Transport. We hope that that will not prove to be the case in 1960 when the accounts are promulgated, because if one looks at Mr. Evershed's exhibit AE 3 one sees that the estimated result of London Transport for 1960 at pre-May charges was £0.2m. and it was said in evidence—I am sorry, Sir—the deficit was £0.2m. and that is a surplus of minus £0.2m.—that the effect of the increase in charges during 1960 was to add £1.7m. So that turns the deficit of £0.2m. into a surplus of £1.5m. But still, it is well short of the £2.5m. which the Tribunal said was of the order of the figure to be aimed at and it is short of the surplus decided by what the other activities are able to do as shown on page 3 of the Commission's account for 1959.

The interesting thing about that comparison which, as I say my learned friend raised this morning is that the ratio of surplus to Central Charges is about as one is to two; in other words, half the Central Charges is about the amount of the surplus which was achieved. The Central Charges of London Transport must be over £6.0m.; that ratio would lead me to ask for a surplus of £3.0m. So certainly in asking for a surplus as a target of £2.5m. and then putting forward figures which will not lead to more than £2.0m. at the outside, we are still being extremely modest. In my submission, looking to the other activities points the moral of the observation, and my learned friend Mr. MacLaren asked you to do that.

That is all I think I need say on the global requirements of London Transport, Sir; I submit that the yield of this scheme at stage 3 is amply justified, 100 per cent.

How is it to be spread among the passengers? There has been no criticism from the Authorities represented by my friends Mr. Goff and Mr. MacLaren on the way in which the burden has been spread and indeed the Authorities represented by my friend Mr. Goff have adopted, as I see it, the spread which the Commission has propounded, because their proposed half-mile stage charging is constructed upon the scales propounded by the Commission; the figures at the complete miles are the same as those propounded by us and it is only at the half-miles that they have introduced further figures. That applies to the ordinary tickets and also to the seasons.

They are in effect saying: "Well, we think the ratio of spreading this burden between the different classes of travellers is correctly propounded by the Commission." If that is right, I need say no more about that, but I suppose I ought to say a word about single stage charging, because that has formed one of the main items of debate.

The first thing I say about that is that there is no evidence of any public demand for it.

(President): You mean that there is no evidence of a demand by the public? The County Council would say—

(Mr. Fay): Yes, Sir; they have made a demand in public in this building, but there is no evidence of a public demand by the public itself.

The public of London has been accustomed to double-stage charging for many decades. This goes back beyond the memory of many people—certainly to a long, long time before the war. There were no halfpenny fares in London before the war on what is now London Transport; we had some anomalous exceptions in, I think it was, West Ham, in the Dock Area—exceptions which resulted historically from the operating of the tramways by the Local Authorities in those parts; but by and large, with those exceptions, there has been double-stage charging in London for many generations. Before the war the fare for two stages, or a mile, was a penny; there were no halfpennies.

Now it is sought to overturn that and to say: "Oh, no; in present-day circumstances there ought to be charging by the half-mile." Now, Sir, this raises a number of questions, some practical and some philosophical. In any attempt to graduate a fare according to the distance travelled in terms of currency there must, I suppose, be some stages or jumps; there must be a scale of some sort, unless one has the complete flat charging system which has been prevalent in America I think until recently, where before the war you paid your 5 cents in New York to go where you wished.

If you have a scale, that scale has to move by certain stages; if there is a well-settled tradition in London that it moves in one-mile stages, in our submission it ought not to be disturbed unless for some compelling reasons, and the only reason my learned friend advances is that we have some money to spare—that we do not need as much as we have asked for. If that is so and if in the unlikely event of your deciding to produce the yield by some other means—

(President): I do not think it is right to say that that is the only reason why it is suggested that a change should be made to single-stage charging; it is also urged that it is fairer because people will not be charged so much for a service which they do not require.

(Mr. Fay): Yes, Sir; that of course is the immediate reason. I suppose in perfect fairness an infinite gradation of every few yards, in terms of one-tenth of a farthing, would be the ultimate—that is why I said it raised questions which are partly philosophical—because one has to consider what is the balance between absolute fairness, which is an ideal that is unattainable in practical circles such as this, and convenience and economy.

Why do different services choose different steps in terms of currency? Why does the Post Office say that you have to put 1½d. on for each additional 2 ozs. on your letters—the stages have to be fixed somewhere. If the London public are used to a method of charging, and do not regard it as unfair—and no one has come here to say that they regard it as unfair—then if it has the merit of simplicity, the merit of avoiding extra expense in fare collection and the merit of avoiding increasing the burden on a very heavily worked individual, the bus conductor, then it ought to be retained.

One of the reasons why in practice it ought to be retained is this, is it not, that if one is to reap the benefits and the economies of automatic operation—that is, the performing of functions by a machine which once upon a time were performed by human beings, the machine in this case being concerned with ticket issue—then the fewer gradations one has to deal with, the more efficient the machine operation is.

You have seen examples in the exhibits and in the evidence of Mr. Harbour in this case of what would happen in the case of the passenger-operated ticket-machine; you will either have to have a less degree of utilisation—actually you will have both; you will have a less degree of utilisation together with the necessity for investment in new machines, and expensive machines at that. That is reducing the efficiency of automation and incurring an expense which in my submission is needless and for a purpose which is unwarranted.

Other things being equal, if there is no question of fares going up or down, if the yield and the revenue position were stationary, one could only introduce single-stage charging by lowering one set of fares and increasing another; and that is masked in this case by the fact that fares are proposed to be increased anyway. But if the other factors are stationary, it means that the person who travels 2½ miles is having his fare lowered at the expense of the person who is travelling 3 miles, and as I say there is no evidence that people regard these steps in the scale as unfair.

There is every practical reason why the single-stage charging should not be introduced; I have touched upon the benefits of automatic operation of ticket issuing on the buses—this will be present in your mind—and we have had evidence about this at past inquiries; it adds, and it adds greatly, to the burden upon conductors, and I would submit that it is bound to detract from the efficiency of the conductor. If a man has so much more to remember; if he has the greatly increased combinations and permu-

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tations of fares changing every half-mile instead of every mile, then he has either to have longer to do it, or he is going to behave less efficiently and make mistakes.

Also, as you have heard, this process is going to put a premium upon those people—and we know there are some—who are minded to override or who are minded to take a fare of a stage short of where they intend to get off.

For all those reasons Mr. Harbour has told you, and I ask you to accept, that it is not practicable upon the buses to increase these any more.

Of course, we have given hostage to fortune by having—I nearly said at the behest of the opponents; this is a matter which they have mentioned at earlier Inquiries—in the past introduced one single half-mile stage; we did it for very good reasons. Now we are bound, if this scale which is proposed should be introduced, to put in another. Otherwise there would be a fare anomaly, because the fare for $\frac{1}{2}$ miles and 1 mile would be less than the fare of three miles. Then it is said: "Since you have swallowed all that, you could swallow this little more." Mr. Goff said that Mr. Harbour had already introduced half-mile staging for 76 per cent. of the traffic, but as Mr. Harbour said at the time, that is not so. 76 per cent. may include all the traffic up to the second, and include the second, of the half-mile stages which it is proposed to introduce; but what is forgotten in that argument is that there is no half-mile staging on the first half-mile. Where we have introduced half-mile staging covers 44 per cent. of the traffic and not 76 per cent., and it is a matter of congratulation for the conductors on the buses of London Transport that they have been able to cope with the introduction which has been made of the $\frac{1}{2}$ mile stage, and it is hoped that they will be able to cope with the next one; but to say that in the interests of fairness it ought to go to the whole stage in using a concession which in my submission would damage the service, impede fare collection, reduce the revenue and not bring in any commensurate advantage to the public, because there is no evidence that they are crying out for it.

(President): It is the converse of the "thin end of the wedge" argument.

(Mr. Fay): Yes, Sir; once you start being reasonable, you are required to go the whole hog.

Finally, may I say a word about London Lines. We estimate, as you know, according to the very broad estimate which is the only kind of estimate capable of being made for London Lines, that the Application to them of the scales proposed for London Transport by virtue of assimilation will produce a surplus over Central Charges of £2.5m. of half a million pounds. We say that that is a very excellent thing, and again the only criticism that can be made of it is that it does not go far enough. A surplus of half a million pounds compared with Central Charges of £2½m. is very much less than any ratio of surplus to Central Charges which can be deduced from other figures in the case.

Nevertheless, that is attacked; it is said: You do not need to apply assimilation blindly if the result is merely going to be to put this drop of half-a-million pounds into the British Railways pocket.

I touched on this this morning; it is the kind of argument which seems to me to be appropriate rather to the practice of bankruptcies, as I ventured to suggest, than to any sound commercial undertaking. Here is a part of British Railways which we can isolate very broadly, and having done so, we say that this appears to be a profitable part—not so profitable as it ought to be, not producing the kind of surplus the Commission and British Railways would like to aim at, but not making a loss. But it is said: "Here is a terrible thing; here is the whole of the British Railways making a loss; why cannot this part of it make a loss too?"

(Mr. Goff): No; the argument is that the loss of custom was too large having regard to the net yield, and it was merely pointed out that that, undesirable in itself, was being produced not to produce a real surplus, but something which was merely wiping out a deficit. Nobody

suggested that it should be made to make a loss, nor that it should be done merely because British Railways as a whole is making a loss.

(Mr. Fay): I will not turn up my nose what Mr. McLaren said this morning, but I thought it was something like that.

I know my learned friend's argument; it was that there is such a discount on the yield from the season tickets in particular that this ought not to be put into effect, because you are going to lose a lot of passengers in order to get a mere quarter of a million pounds; I hope I am not doing him an injustice in putting it that way.

Let us see what is inherent in this argument. If in consequence of that argument it is said that there ought to be no increase, it means first of all the end of assimilation. Now assimilation has been described as a practice and it has been described as a principle. Whichever it is, it is something introduced as a matter of policy fully and publicly adopted in 1950. It is a device which was designed to enable persons in the London area to go from Point A to Point B by whichever service appeared most convenient to them without having their pattern of travel distorted by the consequences of a differential fare.

When assimilation was introduced, it meant a very considerable transfer of passengers from London Transport to British Railways, because it was the fares on British Railways which had been higher than those on London Transport. They came down to the same level, and there was a great deal of transfer of people who found British Railways more convenient, but who, for economic reasons, had been diverted to something less convenient for them in the past. That is a social and economic outcome of assimilation which was designed, and which has everything to commend it.

It is now suggested that it should be put an end to, because British Railways will only get a quarter of a million extra out of losing 3 per cent., as it suggested—but that may have been too high—of the season ticket travellers.

In my submission, Sir, this is an idle argument. If British Railways are able to gain a quarter of a million pounds, then they ought to be enabled to gain a quarter of a million pounds, and in their present financial circumstances there is every commercial justification as well as the legal justification, which I was touching on a minute or two ago, for their obtaining this money. If they thought that an increase was going to be crippling; if they thought that the yield was going to be small in relation to the loss of passengers; if they thought that it was going to be a bad commercial bargain to put the fares up, they would not suggest it. They are not in the business in order to lose money; they are in the business to increase traffic and money, and in my submission they ought to have this increase on its own merits. But whether or not on its own merits, they ought to have it. In my submission it is an extraordinary suggestion that because of the lowness of the yield—this quarter of a million pounds which in my submission is not a low yield at all—assimilation should be put an end to.

The result of that would be very far-reaching; it would bring back the old distorted pattern of travel. A person travelling from Richmond to Charing Cross has a choice of going via Waterloo or of going direct on the District. If this proposal is given effect to, the season ticket rate via Waterloo will be cheaper; the Commission will have to give him a through season ticket, so there will be a diversion of traffic from the District Line which *ex hypothesi* the people would wish to travel on, to the Waterloo Line, because the Waterloo Line would be cheaper. The people who complain of the crowds on the District Line might like that, but the reduction of congestion on one line and the increase of congestion on another is not a proper consideration for these matters; the flow ought to be allowed to adjust itself, without financial inducement, to whatever route it thinks right. In effect, that is what would happen, because the differential between the fares on the Southern and the District would have to be adjusted; British Railways fares would have to be adjusted to the London Lines fares. That adjustment would mean a very considerable reduction in the yield of season tickets on London Transport itself, and if you find

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[Continued]

that London Transport needs the money, this in my submission is a reason for London Transport to be protected in its obtaining of the increased revenue by the preservation of the principle of assimilation.

It is perhaps significant that in the past assimilation has affected London Lines adversely more often than not; there has been times when the Commission has come here with Schemes which produced what was gauged to be sufficient by the needs of London Transport, but which did not give London Lines any kind of surplus, and in some cases not sufficient to meet their Central Charges contribution. I have looked back at the Applications which have been made in the last few years; in 1955 the proposal made for London Transport had the consequential effect through assimilation of producing net receipts on London Lines estimated at plus £0.5m.—half a million net receipts to meet Central Charges of about £2.0m. That was the result of assimilation then, and it was not complained of by the then opponents of the Scheme.

In 1956 it was even worse; what was proposed for London Transport as applied by assimilation to London Lines produced a working deficit of £0.6m.; so not only was there no contribution to Central Charges at all, but there was a working deficit.

In 1957 the forecast was that if assimilation to London Lines was applied, the net receipts would be £0.1m., a negligible contribution to Central Charges. In 1959, of course, there was a higher contribution and this time it so happened that the application of assimilation, because of its effect on season tickets, produced the best contribution that has yet been thrown up.

But the Objectors must take the rough with the smooth, and when one has judged, as one is able to judge, the finances of the operation of the Electric Railways operated by London Transport and has found what is fair for them in the light of their requirements, it cannot be very far wrong to apply the same scale to the Electric Railways, for example, of the Southern Region, and in my submission that is another reason for assimilation.

(President): The alternative form of argument, of course, producing a benefit to the Objectors to preserve the principle of assimilation in the case of season tickets, is not to make the changes in respect of the London Transport season tickets?

(Mr. Fay): Yes, indeed. That would have the effect of reducing the surplus of British Railways London Lines and reducing the surplus of London Transport, but preserving the assimilation; and that process in my submission ought not, and should not be followed, because it will deprive London Transport of the revenue which it demonstrably needs.

(President): You say that if be demonstrated by that London Transport requires the additional revenue, it is the Scheme, so far as it relates to London Transport, which will enable them to obtain that, then ought it to follow by virtue of the fact of assimilation that there must be those increases in London Lines?

(Mr. Fay): Yes, Sir; I put it in stages: If the revenue aimed at by Stage 3 is found to be revenue which London Transport should have, then it is conceded by the Objectors that the scale of season ticket charges is a fair one for London Transport as a scale. If for all those persons in the London region who travel by London

Transport Railways, that is a fair scale, then it is difficult to see why it is an unfair scale for those who travel by London Lines of British Railways, merely because it produces a yield of a quarter of a million pounds—a surplus of half a million pounds—and does so at the expense of losing a certain number of passengers as forecast. In my submission, the need for the revenue is there on London Transport, and it ought not to be whittled down, and the need for the revenue on British Railways is there, and that ought not to be whittled down.

I was glad to hear Mr. Goff disclaim any suggestion that because British Railways as a whole has a big deficit, one ought to pay no attention to that in connection with London Lines of British Railways. One clearly ought not to pay any attention to it, and the fact that it may be a drop in a very large ocean is neither here nor there.

I think that is all I have to urge upon you with regard to London Lines, Sir, unless there is any further matter upon which I can assist the Tribunal, and that brings me to the end of the observations I wish to address to the Court. I indicated that I hoped I would be able to finish in a reasonable compass, and I think I have succeeded.

All that remains for me to do is to add an observation which, perhaps for the first time in this address, will, I am sure, meet with the complete approval of those on the other side; that is to thank you and your colleagues for the kindness and the patience with which you have listened to all of us.

(Mr. Goff): I should like to associate myself with that last observation of my learned friend; in particular I would like to take this opportunity of thanking the Tribunal for the accommodation which it granted to me personally by reason of the necessity of my being out of the country when this Inquiry in fact began.

Whilst I am on my feet, Sir, may I be permitted to say two further things? The first is that my friend has drawn attention to Section 3, subsection (4), of the Act of 1947, which he has relied upon as showing that surpluses ought to be obtained where they could be obtained. I would like just to draw the attention of the Tribunal to the fact that it says that: "All the business carried on by the Commission, whether or not arising from undertakings or parts of undertakings vested in them by or under any provision of this Act, shall form one undertaking, and the Commission shall so conduct that undertaking, and, subject to the provisions of this Act levy such fares, rates, tolls, dues and other charges, as to secure that the revenue of the Commission" balances year by year and so on.

My learned friend at the very end of his address said that he was pleased to hear me disclaim any suggestion that the deficit of British Railways should be taken into account. It did not disclaim any suggestion that they should be taken into account; what I was saying—and this was my sole argument—was that our case as to the economic effect should be judged against that background.

(President): Yes, I think we understand that, Mr. Goff.

I think to avoid the possibility of having to summon you all together again, we do not formally close the Inquiry, otherwise someone will say that we cannot re-open it; but I hope it will not be necessary to call you together again.

(Mr. Goff): If you please, Sir.

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[Continued]

CORRIGENDA

*Proceedings Eighth Day—Monday, 20th February, 1961*Page 172, column 1, question 2310—for "line" read
"column"Page 172, column 2, question 2322, line 1 of column 2—for
"small" read "smaller"Page 174, column 1, question 2371—for "line 6" read
"line 9"*Proceedings Ninth Day—Thursday, 21st February, 1961*Page 183, column 1, question 2594, line 5—for "qualify"
read "quantify"Page 183, column 2, question 2615, line 4—for "we" read
"with"Page 197, column 2, question 3054, line 12—for "as" read
"an"Page 198, column 2, question 3085, line 1—for "indeed"
read "needed"Page 200, column 1, question 3132, line 11—for "£0.031m."
read "£0.31m."Page 200, column 1, question 3132, line 15—insert "half"
after "nearly"Page 200, column 1, question 3123, line 17—for "£0.093m."
read "£0.93m."*Proceedings Tenth Day—Wednesday, 22nd February, 1961*Page 209, column 2, question 3285, line 3—for "was" read
"with"Page 216, column 2, question 3522, last line—insert "not"
after "could"Page 219, column 2, question 3627, line 8—for "£1.50m."
read "£0.15m."

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